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Volume IV

Europe: Political and Economic Developments

(in two parts)

Part 1

General Editor
William Z. Slany

Editors
John A. Bernbaum
Joan Lee
Charles S. Sampson
Ronald D. Landa
Lisle A. Rose
David H. Stauffer

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PREFACE

The publication *Foreign Relations of the United States* constitutes the official record of the foreign policy of the United States. The volumes in the series include, subject to necessary security considerations, all documents needed to give a comprehensive record of the major foreign policy decisions of the United States together with appropriate materials concerning the facts which contributed to the formulation of policies. Documents in the files of the Department of State are supplemented by papers from other government agencies involved in the formulation of foreign policy.

The basic documentary diplomatic record printed in the volumes of the series *Foreign Relations of the United States* is edited by the Office of the Historian, Bureau of Public Affairs, Department of State. The editing is guided by the principles of historical objectivity and in accordance with the following official guidance first promulgated by Secretary of State Frank B. Kellogg on March 26, 1925.

There may be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing may be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

a. To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.

b. To condense the record and avoid repetition of needless details.

c. To preserve the confidence reposed in the Department by individuals and by foreign governments.

d. To avoid giving needless offense to other nationalities or individuals.

e. To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternative presented to the department before the decision was made.

Documents selected for publication in the *Foreign Relations* volumes are referred to the Department of State Classification/Declassification Center for declassification clearance. The Center reviews the documents, makes declassification decisions, and obtains the

clearance of geographic and functional bureaus of the Department of State, as well as of other appropriate agencies of the government. The Center, in coordination with the geographic bureaus of the Department of State, conducts communications with foreign governments regarding documents or information of those governments proposed for inclusion in *Foreign Relations* volumes.

The planning and compilation of this volume was begun by Fredrick Aandahl, General Editor until 1978, and was completed by William Z. Slany, his successor. John P. Glennon, Charles S. Sampson, and Ronald D. Landa oversaw the final preparation of this volume through the declassification process. Mr. Slany compiled the documentation on Eastern Europe except for that on Albania, Bulgaria, and Yugoslavia, which was prepared by John A. Bernbaum. Mr. Bernbaum also compiled the documentation on Austria, Italy, Trieste, the Western European Ambassador's Conference, and with Ronald D. Landa, the Vatican. Mr. Sampson prepared the compilations on Switzerland and the United Kingdom. Joan Lee compiled the documentation on Iceland and Norway, while David H. Stauffer prepared the compilation on Belgium. The rest of the volume was compiled by Lisle A. Rose.

Rita M. Baker of the Publishing Services Division (Paul M. Washington, Chief) performed the technical editing. The index was prepared by the Twin Oaks Indexing Collective.

WILLIAM Z. SLANY
The Historian
Bureau of Public Affairs

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LIST OF ABBREVIATIONS

EDITOR'S NOTE—This list does not include standard abbreviations in common usage; unusual abbreviations of rare occurrence which are clarified at appropriate points; and those abbreviations and contractions which, although uncommon, are understandable from the context.

A, Office of the Deputy Under Secretary of State for Administration
AA, anti-aircraft
AAF, Army Air Force
AAPM, Office of the Assistant Administrator for Program, Economic Cooperation Administration
AC, Allied Council for Austria
ACLI, *Associazione Cristiana Lavoratori Italiani* (Italian Workers Christian Association)
AF, Office of African Affairs, Department of State
AFL, American Federation of Labor
ALCO, document designation for papers of the Allied Council for Austria
AmEmb, American Embassy
AMG, Allied Military Government
AMP, additional military production
AP, Associated Press
ARA, Bureau of Inter-American Affairs, Department of State
AusGov (AusGovt), Austrian Government
AV, Aviation Policy Staff, Office of Transport and Communications Policy, Department of State
B/P, balance of payments
BBC, British Broadcasting Corporation
BEA, British European Airways
Benelux, Belgium, the Netherlands, Luxembourg
BETFOR, British Element, Trieste Forces
BIS, Bank for International Settlements
BNA, Office of British Commonwealth and Northern European Affairs, Department of State
BOAC, British Overseas Airways Corporation
BOT, Board of Trade (British)
C, Counselor of the Department of State
CAA, Civil Aeronautics Administration
CAB, Civil Aviation Board, Allied High Commission
CARE, Committee for American Relief for Europe
CD, Christian Democratic Party (Italy)
CD, North Atlantic Council Deputies
CDU, *Christlich-Demokratische Union* (Christian Democratic Union)
CE, Council of Europe
CEDel, Council of Europe Delegation
CFM, Council of Foreign Ministers
CFTC, *Confédération Française des Travailleurs Chrétiens* (French Confederation of Christian Workers)
CGIL, *Confederazione Generale Italiana del Lavoro* (General Confederation of Labor in Italy)
CGT, *Confédération Générale du Travail* (General Confederation of Labor), in France
CIA, Central Intelligence Agency
CINCNELM, Commander in Chief, United States Naval Forces, Eastern Atlantic and Mediterranean
CIO, Congress of Industrial Organizations
CIR, Interministerial Committee for Reconstruction (Italy)
CISC, International Federation of Christian Trade Unions
CISL, *Confederazione Italiana dei Sindicati Lavoratori* (Italian Confederation of Trade Unions)
CM, Committee of Ministers
CNT, *Confederación Nacional del Trabajo* (National Confederation of Labor), in Spain
CO, Commanding Officer
COCOM, Coordinating Committee of the Paris Consultative Group of nations working to control export of

strategic goods to Communist countries

Cominform, Communist Information Bureau

CON, Office of Security and Consular Affairs, Department of State

Condesp, Consulate despatch

Contel, Consulate telegram

CP, Commercial Policy Staff, Office of Economic Defense and Trade Policy, Department of State

CP, Communist Party

CP's, Contracting Parties

CPF, Communist Party of France

CPG, Central People's Government (People's Republic of China)

CPR, Chinese People's Republic

CPSU, Communist Party of the Soviet Union

CPY, Communist Party of Yugoslavia

CRO, Commonwealth Relations Office (British)

CSA, Czechoslovak State Airline

DC, Defense Committee, NATO

DDS, destroyers

Def, Department of Defense; defense

DefMin, Defense Minister

del, delegation

Delau, series indicator for telegrams from the United States Delegation for Austria at the Counsel of Foreign Ministers

Delga, series indicator for telegrams from the United States Delegation at the United Nations General Assembly

Depciragam, Department of State circular airgram

Depcirtel, Department of State circular telegram

Depintel, Department of State circular information telegram

Deptel, Department of State telegram

Depto, series indicator for telegrams from the United States Deputy Representative to the North Atlantic Council

DFM, Deputy for Austria at the Council of Foreign Ministers

DGB, a West German trade union

DKBL, *Deutsche Kohlenbergbauleitung*, temporary coal management in the Ruhr

DKV, *Deutsc Kohleverein* (German Central Co Sales Agency)

DM, Deutsche Mark

DMS, Director of the Mutual Security Agency

DP, *Deutsche Partei* (German Party)

DP, displaced person

DPA, Defense Production Administration

DPB, Defense Production Board, NATO

DRS, Division of Research for USSR and Eastern Europe, Department of State

E, Assistant Secretary of State for Economic Affairs

E/VFA, Adviser on Voluntary Foreign Aid, Office of the Assistant Secretary of State for Economic Affairs

EC Act, Economic Cooperation Act of 1948

ECA, Economic Cooperation Administration

ECA/W, headquarters of the Economic Cooperation Administration in Washington

Ecato, series indicator for telegrams from the Economic Cooperation Administration in Washington to its missions abroad

ECC, European Coordinating Committee

ECE, Economic Commission for Europe

ECOSOC, Economic and Social Council of the United Nations

ECSC, European Coal and Steel Community created by the Schuman Plan

EDC, European Defense Community

EDECC, Executive Director, European Coordinating Committee

EDF, European Defense Force

EDS, Economic Defense Staff, Office of Economic Defense and Trade Policy, Department of State

EDT, Office of Economic Defense and Trade Policy, Department of State

EE, Office of Eastern European Affairs, Department of State

Emb, Embassy

Embdesp (Emdes), Embassy despatch

Emboff, Embassy officer

Embtel (Emtel), Embassy telegram

EPD, European Program Division, Economic Cooperation Administration

EPU, European Payments Union

ERP, European Recovery Program

EUCOM, European Command, United States Army

EUR, Bureau of European Affairs, Department of State; Europe; European

EUR/RA, Office of European Affairs, Bureau of European Afairs, Department of State

EXCO, Executive Committee of the Allied Council in Austria

Excon, designation for telegrams dealing with the export control program

Exim (ExIm, Ex-Im) Bank (Eximbank), Export-Import Bank of Washington
FAO, Food and Agriculture Organization
FBI, Federal Bureau of Investigation, Department of Justice
FBO, Division of Foreign Buildings Operations, Department of State
FCP, French Communist Party
FDP, *Freie Demokratische Partei* (Free Democratic Party)
FE, Bureau of Far Eastern Affairs, Department of State; Far East; Far Eastern
FEB, Financial and Economic Board, NATO
FedRep, Federal Republic of Germany
FinMin, Finance Minister
FM, Foreign Minister
FO, *Force Ouvrière* (Workers Force), in France
FonAff, Foreign Affairs
FonMin, Foreign Minister (Ministry)
FonOff, Foreign Office
FonSecy, Foreign Secretary
FP, Division of Foreign Service Personnel, Department of State
FP&TD, Financial Policy and Trade Development Division, Economic Cooperation Administration
FRBNY, Federal Reserve Bank of New York
FRC, Federal Records Center
F&TP, Financial and Trade Policy Division, Economic Cooperation Administration
FTT, Free Territory of Trieste
FY, fiscal year
FYI, for your information
G, Deputy Under Secretary of State
GA, General Assembly of the United Nations
GAA, General Armistice Agreement
GADel, United States Delegation at the United National General Assembly; also Gadel, series indicator for telegrams to the United States Delegation
GAI, Office of German Public Affairs, Department of State
GATT, General Agreement on Tariffs and Trade
GEA, Office of German Economic Affairs, Department of State
GER, Bureau of German Affairs, Department of State
GPA, Office of German Political Affairs, Department of State
GTI, Office of Greek, Turkish, and Iranian Affairs, Department of State
H, Assistant Secretary of State for Congressional Relations
HC, High Commissioner
HICOG, United States High Commissioner for Germany
HICOM, High Commission(er) for Germany
HMG, His Majesty's Government (British)
HPPP, High Priority Production Program
IAC, Intelligence Advisory Committee
IAD, Division of Acquisition and Distribution, Department of State
IAR, International Authority for the Ruhr
IARA, Inter-Allied Reparation Agency
IBD, Division of International Broadcasting, Department of State
IBRD, International Bank for Reconstruction and Development
IC, Indochina
ICCTU, International Confederation of Christian Trade Unions
IceGov, Icelandic Government
ICFTU, International Confederation of Free Trade Unions
ICJ, International Court of Justice
IE, International Information and Educational Exchange Program, Department of State
IFI, Division of International and Functional Intelligence, Department of State
IL, International List (of embargoed goods)
ILO, International Labor Organization
IMC, International Materials Conference
IMF, International Monetary Fund
infotel, information telegram
INI, *Instituto Nacional de Industria* (Spanish industrial group)
INP, Division of International Press and Publications, Department of State
INR, Bureau of Intelligence and Research, Department of State
instr, instruction
intel, circular information telegram
IP, initial payment
IPMD-series, series designation for preparatory papers on subjects to be discussed with Italian Prime Minister De Gasperi on his visit to Washington in September 1951

IRO, International Refugee Organization
ISA, Office of International Security Affairs, Department of State
ISAC, International Security Affairs Committee
ISG, Intergovernmental Study Group (on Germany)
ITP, Office of International Trade Policy, Department of State
JAG, Office of the Judge Advocate General
JAMAG, Joint American Military Advisory Group
JCS, Joint Chiefs of Staff
JMST, Joint Military Survey Team
Joint Weeka, weekly, interagency summary analysis from United States diplomatic missions
JSPD, Joint Subsidiary Plans Divisison, Joint Chiefs of Staff
KLM, Royal Dutch Airlines
L, Office of the Legal Adviser, Department of State
L/A, Assistant Legal Adviser for Administration and Foreign Service, Department of State
L/E, Assistant Legal Adviser for Economic Affairs, Department of State
L/EUR, Assistant Legal Adviser for European Affairs, Department of State
L/GER, Assistant Legal Adviser for German Affairs, Department of State
L/UNA, Assistant Legal Adviser for United Nations Affairs, Department of State
LA, Latin America
LCGIL, *Libera Confederazione Generale Italiana dei Lavoratori*, Italian labor group
Leg, Legation
Legdes, (Legdesp), Legation despatch
Legtel, Legation telegram
LOC, line of communication
MAAG, Military Assistance Advisory Group
MAP, Military Assistance Program
MAPAI, Labor Party in Israel
Mapam, *Mifleget HaPo 'alim HaM' uhedet* (United Workers Party)
MB, Managing Board, Economic Payments Union
MDA, Mutual Defense Assistance
MDAP, Mutual Defense Assistance Program
MEC, Middle East Command
MFN, most favored nation
MilAtt, Military Attaché
MiNatDef (MinNatDef), Ministry for National Defense (France)
MinFin, Ministry of Finance
MinFonAff, Ministry of Foreign Affairs
MN, Monetary Affairs Staff, Office of Financial and Development Policy, Department of State
MP, Marshall Plan
MP, Member of Parliament
MPSB, Military Production and Supply Board, NATO
MRP, *Mouvement Républicain Populaire*, French political party
MSA, Mutual Security Act (Agency)
MSP, Mutual Security Program
MTD(P), Medium Term Defense (Plan)
MVD, Soviet secret police
mytel, my telegram
NA, Office of Northeast Asian Affairs, Department of State
NAC, North Atlantic Council
NAM, National Association of Manufacturers
NAT(O), North Atlantic Treaty (Organization)
NCFE, National Committee for Free Europe
NCO, noncommissioned officer
NE, Office of Near Eastern Affairs, Department of State; Near East
NEA, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs
niact, night action, communications indicator requiring attention by the recipient at any hour of the day or night
NIE, National Intelligence Estimate
Norep, series indicator for telegrams from the military operating rights team in Norway to the Department of State
NSC, National Security Council
OD, overseas development
ODMS, Office of the Director for Mutual Security
OEEC, Organization for European Economic Cooperation
OFD, Office of Financial and Development Policy, Department of State
OIR, Office of Intelligence Research, Department of State
OMA, Office of Military Assistance, Office of the Assistant to the Secretary of Defense (International Security Affairs)
OSD, Office of the Secretary of Defense
OSP, off-shore procurement

OSR, Office of the United States Special Representative in Europe under the Foreign Assistance Act of 1948
OSS, Office of Strategic Services
ourtel, our telegram
P, Office of the Assistant Secretary of State for Public Affairs
P/POL, Public Affairs Policy Advisory Staff in the Office of the Assistant Secretary of State for Public Affairs
PA, payment allocations
PA, Political Adviser
PG, military telegram series indicator
PC's, *Parties Contractuelles* (contractual parties to the Organization for European Economic Cooperation)
PCI, Italian Communist Party
PD, Passport Division, Department of State
PL, Public Law
PLI, Prohibited and Limited Industries Agreement
PM, Prime Minister
PNG, *persona non grata*
POC, Peace Observation Commission
POL, petroleum, oil, and lubricants
PolAd, Political Adviser
PolPress, Polish Press
POW, prisoner of war
PPS, designation for documents by the Policy Planning Staff, Department of State
Prestel, designation for telegrams summarizing press reports
PRI, *Partito Republicano Italiano* (Italian Republican Party)
PriMin, Prime Minister
PRL, *Parti Républicain de la Liberté*, French political party
PRS, Program Planning and Evaluation Staff, Department of State
PSB, Psychological Strategy Board
PSC, Social Christian Party of Belgium
PSI, *Partito Socialista Italiano* (Italian Socialist Party)
PSSIIS, Italian political party
PT, Peace Treaties
R, Office of the Special Assistant for Intelligence, Department of State
RA, Office of European Regional Affairs, Bureau of European Affairs, Department of State
RAF, Royal Air Force (British)
reDepcirtel, regarding Department of State circular telegram
reDeptel, regarding Department of State telegram
reEmbtel, regarding Embassy telegram
refContel, reference Consulate telegram
reftel, reference telegram
reLegtel, regarding Legation telegram
Repna, series indicator for telegrams on matters dealing with NATO from the United States Special Representative in Europe under the Foreign Assistance Act of 1948
Repno, series indicator for telegrams to the military operating rights team in Norway from the Department of State
Repto, series indicator for messages to the Economic Cooperation Administration headquarters in Washington from the United States Special Representative in Europe under the Foreign Assistance Act of 1948
reurtel, regarding your telegram
RFE, Radio Free Europe
RGR, *Rassemblement des Gauches Républicaines*, French political party
RN, Royal Navy (British)
RNAF, Royal Norwegian Air Force
RNN, Royal Norwegian Navy
ROK, Republic of Korea
RPF, *Rassemblement du Peuple Français*, French political party
RPR, Romanian People's Republic
Rpts, series designation for reports prepared in the Department of State for use in possible talks with the Soviet Union in the spring of 1951
RSA, rest of the sterling area
S, Office of the Secretary of State
S/A, Ambassador at Large, Department of State
S/ISA, Office of International Security Affairs, Department of State
S/M, Office of the Special Assistant to the Secretary of State (Migration Affairs)
S/P, Policy Planning Staff, Department of State
S/S, Executive Secretariat, Department of State
S/S-PR, Protocol Staff, Executive Secretariat, Department of State
S/S-S, Committee Secretariat Staff, Executive Secretariat, Department of State
SA/M, Special Assistant to the Secretary of State (Press Relations)
SACEUR, Supreme Allied Commander, Europe
SAK, *Suomen Amattiyhdistysten Keskusbitto* (Central Federation of Finnish Trade Unions)
SC, Security Council of the United Nations

SCAP, Supreme Commander for the Allied Powers in Japan
SEA, Southeast Asia
SecGen (Secy Gen), Secretary-General
SecState, Secretary of State
Secto, series indicator for telegrams to the Department of State from the Secretary of State or his Delegation in connection with conferences of Foreign Ministers
SFIO, *Section française de l'internationale ouvrière*, official title of the French Socialist party
SG, Standing Group of the Military Committee of the North Atlantic Council
SHAPE, Supreme Headquarters, Allied Powers, Europe
Sigto, series indicator for telegrams from the United States Delegation at the Intergovernmental Study Group on Germany
SKF, *Svenska Kullagerfabriken, AB*
SOA, Office of South Asian Affairs, Department of State
Socobel (Socobelge), Standard Oil Company of Belgium
SPD, *Sozialdemokratische Partei Deutschlands* (German Social Democratic Party)
SY, Division of Security, Department of State
SYG, Secretary-General of the United Nations
TA, technical assistance
TA, trade agreement
Taf, series indicator for telegrams from the Commander of the British-United States Zone of the Free Territory of Trieste to the Department of the Army and the British Ministry of Defence
TCC, Temporary Council Committee, NATO
TD, Telecommunications Policy Staff, Office of Transport and Communications Policy, Department of State
telecon, telecommunication conference
Todep, series indicator for telegrams to the United States Deputy Representative to the North Atlantic Council
TO&E, Table of Organization and Equipment
Toeca, series indicator for telegrams to the Economic Cooperation Administration in Washington from its missions abroad
Toisa, designation for telegrams dealing with matters within the responsibility of the Director, International Security Affairs, Department of State
Tomap, designation for telegrams concerned with the Mutual Defense Assistance Program
Torep, series indicator for messages from the Economic Cooperation Administration headquarters in Washington to the United States Special Representative in Europe under the Foreign Assistance Act of 1948
Tosec, series indicator for telegrams from the Department of State to the Secretary of State or his Delegation in connection with conferences of Foreign Ministers
TRC/TD, Telecommunications Policy Staff, Office of Transport and Communications Policy, Department of State
TRUST, Trieste, United States Troops
TU, trade union
TUAC, Trade Union Advisory Committee, Organization for European Economic Cooperation
TUC, Trade Union Council (British)
U, Under Secretary of State
UDSR, *Union Démocratique et Socialiste de la Résistance*, French political party
UIL, *Unione Italiana del Lavoro* (Italian Union of Labor)
UM, designation for documentation circulated in the Under Secretary of State's Meetings
UN, United Nations
UNA, Bureau of United Nations Affairs, Department of State
UNA/P, United Nations Planning Staff, Department of State
UNA/R, Refugees and Displaced Persons Staff, Bureau of United Nations Affairs, Department of State
UNE, Office of United Nations Economic and Social Affairs, Department of State
UNGA, United Nations General Assembly
UNI, Division of International Administration, Department of State
UNICEF, United Nations International Children's Emergency Fund
UNO, United Nations Organization
UNP, Office of United Nations Political and Security Affairs, Department of State
UNSCOB, United Nations Special Committee on the Balkans
UP, United Press

UPU, Universal Postal Union
urdes (urdesp), your despatch
urinfo, your information
urtel, your telegram
USAF, United States Air Force
USAFE, United States Air Force, Europe
USCOA, United States Command, Austria
USDel, United States Delegation
USDep, United States Deputy Representative on the North Atlantic Council
USFA, United States Forces in Austria
USIA, United States Information Agency
USIE, United States Information and Educational Exchange Program
US Info, United States Information Service
USIS, United States Information Service
USPolAd, United States Political Adviser
USRep, United States Representative
USUN, United States Mission at the United Nations
VD, Visa Division, Office of Security and Consular Affairs, Department of State
VIAC, Vienna Inter-Allied Command
VOA, Voice of America
VOANY, Voice of America at New York
VOEST, *Vereinigte Oesterreichische Eisen und Stahlwerke* (United Austrian Iron and Steel Works)
WE, Office of Western European Affairs, Department of State
Weeka, see Joint Weeka
WFDY, World Federation of Democratic Youth
WFM, Washington Foreign Ministers Meeting
WFTU, World Federation of Trade Unions
WG, Working Group
WU, Western Union (Belgium, France, Luxembourg, the Netherlands, and the United Kingdom, signatories of the Treaty of Brussels, March 17, 1948)
YuGov, Yogoslav Government

LIST OF PERSONS

EDITOR'S NOTE: The identification of the persons in this list is limited to circumstances and positions under reference in this volume. Historical personages alluded to in the volume and certain minor officials are not identified. All titles and positions are American unless there is an indication to the contrary.

ABBOTT, George M., Counselor of Legation in Hungary

ABRAMS, Frank W., Chairman of the Board, Standard Oil Company of New Jersey

ACHESON, Dean G., Secretary of State

ADENAUER, Konrad, Chancellor and, from March 1951, Foreign Minister of the Federal Republic of Germany

AIKEN, Frank, Irish Foreign Minister, from June 1951

AIREY, Major General Sir Terence S., Commander, British-United States Zone of the Free Territory of Trieste, until March 1951

ALBA DELIBES, Jaime, Spanish Under Secretary of Foreign Economy and Commerce

ALBERT, Belgian Prince of Liége

ALEKSEY (ALEXIUS), Russian Orthodox Patriarch of Moscow and All Russia

ALEXANDER, Robert C., Assistant Chief, Visa Division, Department of State

ALLAN, Willard, Third Secretary of Embassy in Greece, until June 20, 1951; Second Secretary until October 2, 1951; thereafter, in the Office of Eastern European Affairs, Department of State

ALLEN, Edgar P., Office of Western European Affairs, Department of State

ALLEN, George V., Ambassador to Yugoslavia

ALLEN, Richard F., Chief, ECA Mission in Yugoslavia

ALLEN, Ward P., Acting United Nations Adviser, Bureau of European Affairs, Department of State

ALPHAND, Hervé, French Deputy Representative on the North Atlantic Council

ANDERSON, Daniel V., First Secretary of Embassy in Spain

ANDERSON, Eugenie, Ambassador to Denmark

ANDREWS, George D., Consul at Strasbourg, France

ARON, M.A., leader of the French steel industry and its representative on the Working Committee of the Schuman Plan Conference

ATTLEE, Clement R., British Prime Minister and First Lord of the Treasury, July 1945–October 1951

AURIOL, Vincent, President of the French Republic

AUSTIN, Warren R., Permanent Representative at the United Nations

BAILEY, V. Gerald, Secretary, East-West Relations Committee, British Society of Friends, Head of the British Society of Friends Delegation to the Soviet Union, July 16–28, 1951

BAO DAI, Chief of State of Viet-Nam

BARBOUR, Walworth, Counselor of Embassy with rank of Minister in the Soviet Union, until July 1951; Bureau of European Affairs, Department of State, from July 1951; Acting Director, Office of Eastern European Affairs, from October 1951

BARKLEY, Alben W., Vice President of the United States

BARNARD, Chester I., President of the Rockefeller Foundation

BARNARD, John L., Intelligence Adviser, Bureau of European Affairs, Department of State; transferred to the Office of European Regional Affairs in the fall of 1951

BARNES, Robert G., Chief, Policy Report Staff, Executive Secretariat, Department of State; Acting Deputy Director, Executive Secretariat, from May 21, 1951; Deputy Director, Executive Secretariat, from September 2, 1951

BARRETT, Edward W., Assistant Secretary of State for Public Affairs

BATT, William L., Chief, ECA Mission in the United Kingdom; United States Representative, Defense Production Board, NATO

BATTLE, Laurie C., Member of the House of Representatives from Alabama; member of the House Committee on Foreign Affairs

BATTLE, Lucius D., Special Assistant to the Secretary of State

BAY, Charles Ulrich, Ambassador to Norway

BEAM, Jacob D., Counselor of Embassy in Yugoslavia

BEGOÜGNE DE JUNIAC, Gontran, French First Counselor of Embassy in the United States; Head of the French Delegation to the Tripartite Committee on Military Assistance to Yugoslavia, meeting in Washington, beginning April 9, 1951

BEIGEL, Edgar J., Office of Western European Affairs, Department of State

BELL, John O., Assistant Director, Office of International Security Affairs, Department of State, until October 1951; from December 1951, Counselor of Embassy in Denmark

BENEDIKTSSON, Bjarni, Icelandic Foreign Minister

BENTON, William, Senator from Connecticut

BÉREI, Andor, Hungarian Deputy Foreign Minister

BEVAN, Aneurin, British Minister of Labor and National Service

BIDAULT, Georges, French Deputy Prime Minister and Minister of State, March-August 1951; thereafter, Minister of National Defense; Member of the Chamber of Deputies; President of the *Mouvement Republicain Populaire*

BISSELL, Richard M., Jr., Deputy Administrator for Economic Cooperation, until September 1951; from September, Acting Administrator; from December 1951, Deputy Director for Mutual Security

BLACK, Eugene R., President of the International Bank for Reconstruction and Development

BOEGNER, Jean-Marc, Chief, Foreign Office, Southern European Division, French Foreign Ministry

BOERNER, Alfred V., Director, Policy Staff, Office of Public Affairs, HICOG

BOHLEN, Charles E., Minister to France, until March 1951; Counselor of the Department of State, from March 13, 1951; member of the Senior Staff, National Security Council, from July 1951

BONBRIGHT, James C. H., Deputy Assistant Secretary of State for European Affairs

BONNEFOUS, Edouard, French Delegate to the Consultative Assembly, Council of Europe

BONNET, Henri, French Ambassador to the United States

BONSAL, Philip W., Counselor of Embassy in France

BOYD, John G., British First Secretary of Embassy in the United States

BRADLEY, General of the Army Omar N., Chairman, Joint Chiefs of Staff

BRASSARD, Reverend Father John Odillon Arthur, Member of the Assumptionist Order; the American Catholic priest ministering to the spiritual needs of American Catholics in Moscow

BRENTANO, Heinrich von, Chairman, Christian Democratic Union Party; Chairman, German Federal Republic Delegation to the Council of Europe

BREWER, Sam Pope, Correspondent for *The New York Times* (at Madrid)

BRIGGS, Ellis O., Ambassador to Czechoslovakia

BRUCE, David K. E., Ambassador to France; observer at the Conference for the Organization of a European Defense Community, from February 1951
BRUNER, Mirko, Yugoslav First Secretary of Embassy in the United States
BRUSASCA, Giuseppe, Italian Foreign Ministry
BURNS, Major General James H., USA (Ret.), Assistant to the Secretary of Defense for International Security Affairs, until July 1951
BURROWS, Bernard A.B., British Counselor of Embassy in the United States
BUTTERWORTH, W. Walton, Ambassador to Sweden
BYINGTON, Homer M., Jr., Director, Office of Western European Affairs, Department of State
BYRNS, Kenneth A., Office of British Commonwealth and Northern European Affairs, Department of State
BYROADE, Henry A., Director, Bureau of German Affairs, Department of State

CABOT, Thomas D., Director of International Security Affairs, Department of State, February–October 1951
CACCIA, Sir Harold Anthony, British High Commissioner for Austria; Minister to Austria, until November 1951; thereafter, Ambassador from November 1951
CAMP, Miriam, Officer in Charge of Economic Organization Affairs, Office of European Regional Affairs, Department of State
CAMPBELL, John C., Officer in Charge of Balkan Affairs, Office of Eastern European Affairs, Department of State
CARNEY, Admiral Robert B., Commander in Chief, United States Naval Forces, Eastern Atlantic and Mediterranean, 1950–1952; Commander in Chief, Allied Forces, Southern Europe and Commander in Chief, Allied Naval Forces, Southern Europe, from June 18, 1951
CATTIER, Jean, Chief, ECA Special Mission in the German Federal Republic and Director, Office of Economic Affairs, HICOG, until July 1951
CHEETHAM, Nicholas J.A., Head of the Southern Department, British Foreign Office
CHURCHILL, Winston S., Leader of the Conservative Party in the British House of Commons, until October 1951; Prime Minister and First Lord of the Treasury, from October 26, 1951
CLEVELAND, Harlan, Deputy to the Assistant Administrator for Program, ECA; Chairman, Finance and Economic Group, ISAC
COLLADAY, Montgomery H., Officer in Charge of Italian and Austrian Affairs, Office of Western European Affairs, Department of State
COLLINS, General J. Lawton, Chief of Staff, U.S. Army
CONNALLY, Tom, Senator from Texas; Chairman, Senate Committee on Foreign Relations
CORBETT, Jack C., Deputy Director, Office of Financial and Development Policy, Department of State
COX, Edward E., Member of the House of Representatives from Georgia
CUMMING, Hugh S., Jr., Counselor of Embassy in the Soviet Union; with rank of Minister, from August 14, 1951
CUNHA, Paulo A. V., Portuguese Foreign Minister
CUNHA, Vasco da, Director of Political Affairs, Portuguese Foreign Ministry

DARIDAN, Jean, French Minister Counselor of Embassy in the United States
DAVIS, Nathaniel P., Minister to Hungry, until May 18, 1951
DAVIS, Richard H., Officer in Charge of U.S.S.R. Affairs, Office of Eastern European Affairs, Department of State
DAWSON, Harris P., Jr., Office of Western European Affairs, Department of State
DAWSON, Laurence A., Refugees and Displaced Persons Staff, Bureau of United Nations Affairs, Department of State

DAYTON, M. Leon, Chief, ECA Mission in Italy
DE GASPERI, Alcide, Italian Prime Minister and, from July 26, 1951, Foreign Minister
DE GAULLE, General Charles, former President of the Provisional Government of the French Republic; Leader of the *Rassemblement du Peuple Français*
DEGREEF, Colonel Édouard, Belgian Defense Minister
DE JUNIAC. *See* Begoügne de Juniac.
DE LATTRE DE TASSIGNY, General of the Army Jean, French High Commissioner in Indochina; Commander in Chief, French Union Forces in Indochina
DE MARGERIE. *See* Jacquin de Margerie.
DE VALERA, Eamon, Irish Prime Minister, from June 13, 1951
DILLON, Thomas P., Office of Eastern European Affairs, Department of State
DJILAS, Milovan, Yugoslav Minister Without Portfolio
DONNELLY, Walter J., United States High Commissioner for Austria; Minister to Austria, until November 1951; thereafter, Ambassador to Austria
DOWLING, Walter C., Deputy High Commissioner for Austria
DOYLE, Michael Francis, prominent Catholic layman and lawyer in practice in Philadelphia, Pennsylvania
DUFAULT, Reverend Wilfred J., Provincial of the Assumptionist Order
DULLES, Eleanor L., Office of Western European Affairs, Department of State
DULLES, John Foster, Consultant to the Secretary of State
DUNHAM, William B., Office of Western European Affairs, Department of State
DUNN, James C., Ambassador to Italy

EDEN, Anthony, a leader of the Conservative Party in the British House of Commons; Secretary of State for Foreign Affairs, from October 27, 1951
EISENHOWER, General of the Army Dwight D., USA, Supreme Allied Commander, Europe
ELLIOTT, William Y., Assistant to the Director, Office of Defense Mobilization
ERHARD, Dr. Ludwig, German Federal Republic Minister of Economic Affairs
EVANS, Barbara, Personal Assistant to the Secretary of State

FIGL, Dr. Leopold, Austrian Chancellor
FLACK, Joseph, Ambassador to Poland
FORD, Peyton, Deputy Attorney General
FORRESTEL, Rear Admiral Emmet P., USN, Chief, United States Military Assistance Advisory Group in the Netherlands
FOSTER, William C., Administrator for Economic Cooperation, until September 1951; Deputy Secretary of Defense, from September 1951
FRANCFORT, Pierre, French Counselor of Embassy in the United States
FRANCO Y BAHAMONDE, General Francisco, Spanish Chief of State and Prime Minister
FRANKS, Sir Oliver S., British Ambassador to the United States
FYFE, Sir David Patrick, British Secretary of State for the Home Department and Minister for Welsh Affairs; Chairman, British Delegation to the Consultative Assembly, Council of Europe

GAITSKELL, Hugh, British Chancellor of the Exchequer, until October 1951
GALLOWAY, Robert E., Chief, ECA Mission in Trieste
GANNETT, Michael R., Office of Eastern European Affairs, Department of State
GANTENBEIN, James W., Chargé in Romania
GARNER, Robert L., Vice President of the International Bank for Reconstruction and Development
GARRETT, George A., Ambassador to Ireland, until May 1951

GASTON, Herbert E., President and Chairman of the Board of Directors, Export-Import Bank of Washington

GIFFORD, Walter S., Ambassador to the United Kingdom

GILLETTE, Guy M., Senator from Iowa

GLEISSNER, Heinrich, Governor (*Landeshauptmann*) of Upper Austria (province); People's Party nominee for President of the Austrian Republic

GODLEY, G. McMurtrie, 2d, Office of Western European Affairs, Department of State

GOETZMANN, Jule L., Monetary Affairs Staff, Office of Finance and Development Policy, Department of State

GOLDENBERG, Leon, Iron and Steel Specialist, Special Adviser to the Deputy Chief, ECA Mission in France

GOOTT, Daniel, Office of the Labor Adviser to the Assistant Secretary of State for Economic Affairs, Department of State

GORDON, Lincoln, Economic Adviser to the Special Assistant to the President (Harriman); Assistant to the Deputy Administrator for Economic Cooperation

GOTTWALD, Klement, President of the Czechoslovak Republic; Chairman of the Czechoslovak Communist Party

GREEN, Theodore Francis, Senator from Rhode Island

GREEN, William, President of the American Federation of Labor

GREEN, Joseph N., Jr., Office of Western European Affairs, Department of State

GRIFFIS, Stanton, Ambassador to Spain, appointed February 1, 1951

GROMYKO, Andrey Andreyevich, Soviet First Deputy Foreign Minister

GROSZ, Archbishop Joszef, of Kalocsa, acting Head of the Roman Catholic Church in Hungary, convicted on charges of conspiracy against the Hungarian Government, June 1951

GRUBER, Karl, Austrian Foreign Minister

GRUENTHER, Lieutenant General Alfred M., USA, Chief of Staff, SHAPE; General, from August 1, 1951

HALL, Robert L., Director, Economic Section, British Labor Cabinet

HALL-PATCH, Sir Edmund Leo, Permanent British Representative at the Organization for European Economic Cooperation

HALLSTEIN, Walter, State Secretary for Foreign Affairs in the German Federal Chancellery, from August 1950; State Secretary and Head of the Office for the Schuman Plan in the German Federal Republic Foreign Office, from March 13, 1951

HAMMARSKJÖLD, Dag, Secretary General, Swedish Foreign Office; Swedish Delegate to the Organization for European Economic Cooperation; Deputy Foreign Minister, from February 1951

HANDY, General Thomas T., USA, Commander in Chief, European Command

HARRIMAN, W. Averell, Special Assistant to the President until October 1951; Chairman, NATO Temporary Council Committee, North Atlantic Council, from September 1951; Director for Mutual Security, from October 1951

HARRISON, Geoffrey W., Head of the Northern Department, British Foreign Office, until October 1951; thereafter, Assistant Under Secretary of State of Foreign Affairs

HAUGE, Jens Christian, Norwegian Minister of Defense

HAYS, Major General George P., USA, United States Deputy High Commissioner for Germany

HEATH, Donald R., Minister to the State of Viet-Nam; also accredited as Minister to the Kingdoms of Cambodia and Laos

HELMER, Oskar, Austrian Minister of the Interior

HENRY, David H., 2d, Office of Eastern European Affairs, Department of State

HEROD, William R., Coordinator of North Atlantic Defense Production; *ex officio* member of the Defense Production Board, NATO

HERZ, Martin F., Second Secretary of Embassy in France

HICKERSON, John D., Assistant Secretary of State for United Nations Affairs

HIGGS, L. Randolph, Deputy Director, Office of Eastern European Affairs, Department of State

HILL, Herbert W., Bureau of European Affairs, Department of State

HILTON, Howard J., Jr., Office of Western European Affairs, Department of State

HIRSCH, Etienne, Deputy Commissioner General of the Plan for Modernization and Reequipment of the French Economy; French Deputy Commissioner of the Preparatory Conference on the Schuman Plan

HOLMES, Julius C., Minister to the United Kingdom

HOOKER, John S., Alternative Executive Director, International Bank for Reconstruction and Development and International Monetary Fund

HOROWITZ, Daniel L., Labor Economist, Office of European Regional Affairs, Department of State

HOWE, Fisher, Deputy Special Assistant for Intelligence, Department of State

HUMPHREY, Hubert H., Senator from Minnesota

HUNTINGTON, Colonel Ellery C., Jr., USA, Chief, Independent United States Military Mission to Yugoslav National Liberation Force (Tito's Partisans) in 1944

HUSTON, Cloyce K., Office of European Affairs, Department of State, until May 1951; Counselor of Embassy in Ireland, from June 1951; Chargé in Ireland, June 9–October 10, 1951

JACOBS, George R., Assistant Chief, Division of Industry and Development, Office of German Economic Affairs, Department of State, until February 1951; thereafter, International Relations Officer in the same Office

JACOBS, Joseph E., Minister to Italy

JACOBSEN, Frithjof, American desk, Norwegian Foreign Office; member of Norwegian team negotiating with the United States on military operating rights in Norway

JACQUIN DE MARGERIE, Christian, French Counselor of Embassy in the United States until July 1951; thereafter, Counselor of Embassy in Vatican City

JAMES, Virginia H., Office of Eastern European Affairs, Department of State

JAMIESON, Kenneth D., British Second Secretary of Embassy in the United States

JANNELLI, Pasquale, Director General of Political Affairs, Italian Foreign Ministry from March 1951

JAVITS, Jacob K., Member the of the House of Representatives from New York

JELLICOE, Earl, British First Secretary of Embassy in the United States, until September 1951

JESSUP, Philip C., Ambassador at Large; member of the National Security Council Senior Staff, until July 1951

JOHNSON, John A., Associate General Counsel, Department of the Air Force

JOHNSON, Valdemar N. L., Office of Eastern European Affairs, Department of State

JOHNSTON, Eric A. Administrator, Economic Stabilization Agency

JONES, John Wesley, Counselor of Embassy in Spain; Chargé in Spain, December 13, 1950–February 28, 1951

JOVANOVIĆ, Radoš, Yugoslav Minister to Greece

JOYCE, Robert P., Policy Planning Staff, Department of State

JUAN CARLOS, of Bourbon (Don Juan), Count of Barcelona, Pretender to the Spanish throne

JUDD, Walter H., Member of the House of Representatives from Minnesota; member of the House Committee on Foreign Affairs

JUIN, General of the Army Alphonse P., French Resident General in Morocco, until January 1951; thereafter, Inspector General, French Armed Forces; Commander in Chief, Allied Army Forces, Central Europe, from April 1951; redesignated Commander in Chief, Allied Land Forces, Central Europe, on August 2, 1951

JUNIAC. *See* Begouëgne de Juniac

KAIV, Johannes, Estonian Acting Consul General in New York City

KARDELJ, Edvard, Yugoslav Deputy Prime Minister and Foreign Minister

KATZ, Milton, United States Special Representative in Europe under the Foreign Assistance Act of 1948, until September 1951

KEATING, Kenneth B., Member of the House of Representatives from New York

KELLY, Edna F., Member of the House of Representatives from New York; member of the House Committee on Foreign Affairs

KENNAN, George F., Career Minister in the Foreign Service, on leave during 1951; proposed as Ambassador to the Soviet Union in November 1951

KIDRIČ, Boris, President of the Yugoslav Economic Council and of the Federal Planning Commission, until April 1951; thereafter, President of the Yugoslav Council for National Economy

KIMPEL, Benjamin D., Office of Western European Affairs, Department of State

KIRK, Alan G., Ambassador to the Soviet Union

KLEINWAECHTER, Ludwig V., Austrian Minister to the United States

LABOUISSE, Henry R., Jr., Director, Office of British Commonwealth and Northern European Affairs, until March 1951; Director, Planning Staff, Bureau of European Affairs, Department of State, March–August 1951; thereafter, Chief, ECA Mission in France

LACOSTE, M. Robert, leading Socialist member of the French Chamber of Deputies

LANCASTER, William W., attorney with the firm of Sherman, Sterling and Wright, New York City

LANE, Thomas J., Member of the House of Representatives from Massachusetts

LANGE, Halvard M., Norwegian Foreign Minister

LAROCK, Victor, Belgian Socialist Party member and Delegate to the Consultative Assembly, Council of Europe.

LATTRE DE TASSIGNY. *See* de Lattre de Tassigny.

LAWSON, Edward B., Minister to Iceland

LAY, James S., Jr., Executive Secretary, National Security Council

LAYTON, Baron (Walter Thomas Layton), British Delegate to the Consultative Assembly, Council of Europe

LE ROY DE LA TOURNELLE, Guy, Director General for Political and Economic Affairs, French Foreign Ministry

LEWIS, Geoffrey W., Deputy Director, Bureau of German Affairs, Department of State

LEWIS, John L., President of the United Mine Workers of America

LIE, Trygve H., Secretary-General, United Nations

LODGE, Henry Cabot, Jr., Senator from Massachusetts

LOVETT, Robert A., Deputy Secretary of Defense, until September 1951; thereafter, Secretary of Defense

LUCIOLLI, Mario, Italian Counselor of Embassy in the United States

MACARTHUR, General of the Army Douglas, Commander in Chief, Far East; Commander in Chief, United Nations Command; and Supreme Commander, Allied Powers, Japan, until April 11, 1951

MACARTHUR, Douglas, 2d, Deputy Director, Office of European Regional Affairs, Department of State, until February 1951; thereafter, Counselor of Embassy in

France, and Adviser on International Affairs to the Supreme Allied Commander, Europe

MACBRIDE, Sean, Irish Foreign Minister

MACCORMAC, John, correspondent for *The New York Times*

MACKAY, R. W. G., British Delegate to the Consultative Assembly, Council of Europe

MACVEAGH, Lincoln, Ambassador to Portugal

MAGISTRATI, Massimo, Director General for International Cooperation, Italian Foreign Ministry

MAGNANI, Valdo, Communist Party Deputy in the Italian Parliament, until his defection in January 1951

MAKINS, Sir Roger, Deputy Under-Secretary of State, British Foreign Office

MALAGODI, Giovanni Francesco, Italian Parliamentary Deputy; Secretary General, *Partito Liberale Italiano;* Italian Representative on the NATO Financial and Economic Board, the European Recovery Program, and the Organization for European Economic Cooperation

MALIK, Yakov Aleksandrovich, Soviet Deputy Foreign Minister; Permanent Representative to the United Nations

MALLET, Sir Victor, British Ambassador to Italy

MANOLA, Admiral Srećko, Deputy Commandant, Yugoslav Navy; Deputy Chief of Staff, Yugoslav Army; Commandant, Yugoslav Marines; Chief Naval Representative, Yugoslav General Staff

MARCY, Oliver M., Office of Eastern European Affairs, Department of State

MARJOLIN, Robert E., Secretary General, Organization for European Economic Cooperation

MARRAS, Lieutenant General Efisio L., Chairman, Italian Joint Chiefs of Staff; Italian Representative, Military Committee, North Atlantic Council

MARSHALL, George C., Secretary of Defense, until September 1951

MATES, Leo, Yugoslav Deputy Foreign Minister

MATTHEWS, Francis P., Ambassador to Ireland

MATTHEWS, H. Freeman, Deputy Under Secretary of State

MAYER, René, French Minister of Justice, until August 11, 1951; thereafter, French Minister of Finance; Leader of the Radical Socialist Party

MCCLOY, John J., United States High Commissioner for Germany

MCCORMACK, John W., Member of the House of Representatives from Massachusetts; Majority Leader in the House of Representatives

MCDERMOTT, Michael J., Special Assistant for Press Relations to the Secretary of State

MCFALL, Jack K., Assistant Secretary of State for Congressional Relations

MCGHEE, George C., Assistant Secretary of State for Near Eastern, South Asian, and African Affairs

MCKISSON, Robert M., Office of Eastern European Affairs, Department of State

MCMAHON, Brien, Senator from Connecticut

MERCHANT, Livingston T., Deputy Assistant Secretary of State for Far Eastern Affairs, until November 1951; thereafter, Special Assistant for Mutual Security Affairs

MOCH, Jules, French Minister of National Defense, July 1950–August 1951

MOLLET, Guy, Secretary-General, French Socialist Party; Minister of State in charge of Council of Europe Affairs, July 1950–March 1951; Deputy Prime Minister, March–August 1951

MONNET, Jean, Commissioner General of the Plan for Modernization and Reequipment of the French Economy; President of the Preparatory Conference on the Schuman Plan

MONTINI, Giovanni B., Substitute for Ordinary Affairs and Secretary of The Cipher, Vatican Secretariat of State

MORRISON, Herbert S., British Secretary of State for Foreign Affairs, March–October 1951

MURPHY, Robert D., Ambassador to Belgium

NITZE, Paul H., Director, Policy Planning Staff, Department of State

NÖLTING, Wilhelm E., Member of the Social Democratic Party, Member of the Bundestag of the Federal Republic of Germany; Delegate to the Consultative Assembly, Council of Europe

OATIS, William, Associated Press correspondent

OHLY, John H., Deputy Director of Mutual Defense Assistance, until January 8, 1951; thereafter, in the Office of International Security Affairs (ISA), Department of State; from October 1951, Assistant Director for Policy and Program Development, ISA

OLMSTED, Brigadier General George H., USA, Head of the United States Delegation to the Tripartite Committee on Military Assistance to Yugoslavia, meeting in Washington beginning April 9, 1951; Chief, Joint MDAP Mission to Yugoslavia, from August 1951

PACCIARDI, Randolfo, Italian Minister of Defense

PARIS, Jacques Camille, Secretary General, Council of Europe

PARODI, Alexandre, Secretary General, French Foreign Ministry

PASTORE, Giulio, Secretary General, Italian Confederation of Trade Unions

PAYART, Jean, French High Commissioner in Austria

PELLA, Giuseppe, Italian Minister of the Budget and Treasury, until July 1951; thereafter, Minister of the Budget

PERKINS, George W., Assistant Secretary of State for European Affairs

PETSCHE, Maurice, French Minister of Finance and Economic Affairs, until August 1951; Minister of State, August–September 1951

PFLIMLIN, Pierre, French Minister of Agriculture, until August 1951

PHILIP, André, member of the French Socialist Party; Delegate to the Consultative Assembly, Council of Europe; Chief, French Delegation to the Economic Commission for Europe

PLEVEN, René, French Prime Minister, until March 1951; then, Deputy Prime Minister, until August 1951; thereafter, Prime Minister

PLOWDEN, Sir Edwin, Chief Planning Officer and Chairman, British Economic Planning Board; Vice Chairman, Temporary Council Committee, North Atlantic Council, from September 1951

POPOVIĆ, General Koca, Yugoslav Army Chief of Staff

POPOVIĆ, Vladimir, Yugoslav Ambassador to the United States

POPPER, David H., Deputy Director, Office of United Nations Political and Security Affairs, Department of State

PORTER, Ivor F., British First Secretary of Embassy in the United States

PORTER, Paul R., Assistant Administrator for Program, ECA; Acting United States Special Representative in Europe under the Foreign Assistance Act of 1948, from September 1951

PRAT, Marqués de (Pedro de Prat y Soutzo), Director, American Policy, Spanish Foreign Ministry

PROCHAZKA, Vladimir, Czechoslovak Ambassador to the United States

QUEUILLE, Henri, French Minister of the Interior, until March 1951; then, Prime Minister, until August 1951; thereafter, Deputy Prime Minister and Minister of State

RANKOVIĆ, Aleksandar, Yugoslav Deputy Prime Minister and Minister of the Interior; Member of the Politburo of the Yugoslav Communist Party

RAYNOR, G. Hayden, Director, Office of British Commonwealth and Northern European Affairs, Department of State, from March 1951

REBER, Samuel, Jr., Director of Political Affairs and Counselor, HICOG; United States Deputy for Austria, Council of Foreign Ministers

REINHARDT, G. Frederick, Director, Office of Eastern European Affairs, Department of State

REYNAUD, Paul, former Prime Minister of France; Delegate to the Consultative Assembly, Council of Europe, 1951

RIBICOFF, Abraham A., Member of the House of Representatives from Connecticut; member of the House Committee on Foreign Affairs

RICARD, Pierre, First Vice President of the *Conseil Patronat Français*

RIDDLEBERGER, James W., Political Adviser (ECA) in the Embassy in France; at times from September 1951, Acting Deputy Special Representative in Europe under the Foreign Assistance Act of 1948

ROSEN, Martin, International Bank for Reconstruction and Development

ROSENSON, Alexander M., Chief, Monetary Affairs Staff, Office of Financial and Development Policy, Department of State

ROSS, Michael, International Representative of the Congress of Industrial Organizations

ROSSI LONGHI, Alberto, Italian Deputy Representative on the North Atlantic Council

ROWAN, Sir Leslie, British Minister (Economic) to the United States, until July 1951; Second Secretary in the British Treasury, from September 1951

RUSK, Dean, Assistant Secretary of State for Far Eastern Affairs until December 9, 1951

RUTTER, Peter, Office of Western European Affairs, Department of State

SARDELIC, Mirko, Yugoslav Counselor of Embassy in the United States

SAUVAGNARGUES, Jean, Officer in Charge of German Political Affairs, French Foreign Ministry; Acting Deputy Director (from May 1951), Deputy Director (from August 1951), Office of Central European Affairs, French Foreign Ministry

SCHAERF, Adolf, Austrian Vice Chancellor

SCHELLING, Thomas C., Economic Cooperation Administration, until July 1, 1951; thereafter, in the Executive Office of the President

SCHUMACHER, Kurt, Chairman, Executive Committee, Social Democratic Party of West Germany; Member of the Bundestag of the German Federal Republic

SCHUMAN, Robert, French Foreign Minister; Leader of the *Mouvement Républicain Populaire*

SEBREE, Major General Edmond B., USA, Commanding General, United States Forces in Trieste

SECCHIA, Pietro, Vice Secretary, Italian Communist Party

SENSI, Federico, Italian First Secretary of Embassy in the United States

SFORZA, Court Carlo, Italian Foreign Minister

SHERMAN, Admiral Forrest P., Chief of Naval Operations

SHINWELL, Emmanuel, British Minister of Defense, until October 1951

SHORT, Joseph, White House Press Secretary

SHVERNIK, Nikolay Mikhailovich, Chairman, Presidium of the Supreme Soviet of the Union of Soviet Socialist Republics; Candidate Member of the Politburo of the Communist Party

SIROKY, Vilam, Czech Foreign Minister

SMITH, H. Alexander, Senator from New Jersey; member of the Senate Committee on Foreign Relations

SMITH, Walter Bedell, Lieutenant General (General from July 27, 1951), USA, Director of Central Intelligence

SNOW, William P., Deputy Chief of Mission and Counselor of Embassy in Norway

SPAAK, Paul-Henri, former Belgian Prime Minister and Foreign Minister; President of the Consultative Assembly of the Council of Europe, until December 1951; Leader of the Belgian Socialist Party

SPOFFORD, Charles M., United States Deputy Representative on the North Atlantic Council; Chairman of the North Atlantic Council Deputies and of the European Coordinating Committee

STALIN, Generalissimo and Marshal of the Soviet Union Iosif Vissarionovich, Chairman of the USSR Council of Ministers, and Secretary General of the Central Committee of the Communist Party of the Soviet Union

STEPINAC, Archbishop Alojzize (Aloysius), Roman Catholic Archbishop of Zagreb, sentenced to 16 years imprisonment on October 11, 1946, by the Yugoslav Government

STEVENS, Roger B., Assistant Under Secretary of State, British Foreign Office; Alternate Representative to the Intergovernmental Study Group for Germany; Representative at the Tripartite Talks on a German Financial Contribution to Western Defense, from October 1951

STINEBOWER, Leroy D., Director, Office of Financial and Development Policy, Department of State

STRUYE, Paul, President of the Belgian Senate, from June 1950; Delegate to the Consultative Assembly, Council of Europe

SVIRIDOV, Lieutenant General Vladimir Petrovich, Soviet High Commissioner for Austria; Commander in Chief, Soviet Occupation Forces in Austria

TARCHIANI, Alberto, Italian Ambassador to the United States

TASSIGNY. *See* de Lattre de Tassigny.

TAYLOR, Major General Robert K., USAF, Chief of Intelligence to the Commander, United States Command, Allied Air Forces, Northern Europe

TEITGEN, Pierre-Henri, French Delegate to the Sixth Session of the United Nations General Assembly and to the Consultative Assembly, Council of Europe

TESORO, George A., Office of Western European Affairs, Department of State

THOMPSON, Lewellyn E., Jr., Counselor of Embassy in Italy

THORP, Willard L., Assistant Secretary of State for Economic Affairs

TIBBETTS, Margaret Joy, Attaché in the United Kingdom

TIMMONS, Benson E. L., Deputy Chief, ECA Mission in France

TITO, Marshal (Josip Broz), Yugoslav Prime Minister

TOBIN, Irwin M., Special Assistant to the Secretary of State (Migration Affairs)

TRIMBLE, William C., First Secretary of Embassy in the United Kingdom, June 1948–September 1951; then, Counselor of Embassy in the United Kingdom, until October 1951; thereafter, Counselor of Embassy in the Netherlands

TRUESDELL, George E., Acting Officer in Charge of Economic Affairs, Office of Eastern European Affairs, Department of State

TRUMAN, Harry S., President of the United States

TSINYEV, Major General G. K., Soviet Deputy High Commissioner for Austria

UNGER, Leonard, United States Political Adviser to the Commander, British-United States Zone, Free Territory of Trieste

URGUPLU, Suat Hayri, Turkish Delegate to the Consultative Assembly, Council of Europe

VAN SYCKLE, Colonel David L., USA, Office of the Secretary of Defense

VAN ZEELAND. *See* Zeeland.

VEDELER, Harold C., Officer in Charge of Polish, Baltic, and Czechoslovak Affairs, Office of Eastern European Affairs, Department of State

VELEBIT, Vladimir, Yugoslav Deputy Minister of Foreign Trade

VENIZELOS, Sophocles, Greek Prime Minister, until October 27, 1951; thereafter, Deputy Prime Minister; also Foreign Minister throughout 1951, Provisional Minister of Defense until February 1, 1951, then Minister of Defense until July 30, 1951

VERNON, Raymond, Commercial Policy Staff, Office of Transport and Communications Policy, Department of State, until November 1951; thereafter, Deputy Director, Office of Economic Defense and Trade Policy, Department of State

VILFAN, Joza, Deputy Foreign Minister of Yugoslavia

VOGELER, Robert A., an American citizen and Assistant Vice President of the International Telephone and Telegraph Corporation, arrested in Hungary in November 1949, held incommunicado, tried, and convicted in February 1950 by a Hungarian court of alleged espionage against Hungary; released to American authorities in April 1951

VYSHINSKY, Andrey Yanuaryevich, Soviet Foreign Minister

WALMSLEY, Walter N., Department of State, member of the National Security Council Staff

WARREN, George L., Adviser, Refugees and Displaced Persons Staff, Bureau of United Nations Affairs, Department of State; Chairman, United States Delegation to the Provisional Intergovernmental Committee for the Movement of Migrants from Europe, Brussels, November 26–December 8, 1951

WEBB, James E., Under Secretary of State

WEST, Robert R., Special Assistant to the Secretary of State (Migration Affairs); Chairman, United States Delegation to the Second International Labor Organization Conference on Migration, Naples, October 1951

WHITMAN, Roswell H., Officer in Charge of Economic Organization Affairs, Office of European Regional Affairs, Department of State

WILEY, Alexander, Senator from Wisconsin

WILLIAMSON, Francis T., Deputy Director, Office of Western European Affairs, Department of State

WILLIS, George H., Director, Office of International Finance, Department of the Treasury

WILSON, Charles E., Director of Defense Mobilization

WINFREE, Robert M., Office of Western European Affairs, Department of State

WINTERTON, General Sir John, Commander, British-United States Zone, Free Territory of Trieste, from March 1951

WOLF, Joseph J., Office of European Regional Affairs, Department of State

WOLFF, Stanley B., Office of Western European Affairs, Department of State

WOOD, C. Tyler, Deputy United States Special Representative in Europe under the Foreign Assistance Act of 1948, until late December 1951; United States Representative, NATO Financial and Economic Board, after September 1951

XANTHAKY, Theodore A., Attaché in Portugal

ZABLOCKI, Clement J., Member of the House of Representatives from Wisconsin; Chairman, Foreign Affairs Study Group, House Committee on Foreign Affairs

ZARUBIN, Georgiy Nikolayevich, Soviet Ambassador to the United Kingdom; Deputy for Austria at the Council of Foreign Ministers

ZEELAND, Paul van, Belgian Foreign Minister; Chairman, Seventh Session of the North Atlantic Council in Ottawa, September 1951

ZOPPI, Vittorio, Secretary General, Italian Foreign Ministry

LIST OF SHORT TITLES

Acheson, *Present at the Creation:* Dean Acheson, *Present at the Creation: My Years at the State Department*, New York: W.W. Norton & Company, Inc., 1969.

American Foreign Policy, 1950–1955: Basic Documents, 2 vols., Washington: Government Printing Office, 1957.

Barrett, *Truth Is Our Weapon:* Edward W. Barrett, *Truth Is Our Weapon*, New York: Funk & Wagnalls Company, 1953.

Briggs, *Farewell to Foggy Bottom:* Ellis O. Briggs, *Farewell to Foggy Bottom: Recollections of a Career Diplomat*, New York: McKay, 1964.

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ALCO Records, Lot 62 F 69

Consolidated collection of official records of the Allied Commission for Austria (ALCO) for the years 1945–1955, as maintained by the Embassy in Vienna.

Austrian Desk Files, Lot 56 D 294

Subject files of the officer in charge of Austrian Affairs, Office of Western European Affairs, for the years 1951–1953.

Barrett Files, Lot 52 D 432

Files of Assistant Secretary of State for Public Affairs Edward W. Barrett for the year 1951.

Bonn Mission Files, McCloy Project, Lot 311

Comprises a chronological record on all phases of the work of the Office of the United States High Commissioner for Germany, including a "Diary" which indicates McCloy's daily appointments and conversations.

Camp Files, Lot 55 D 105

Special collection of documentation on European political and economic integration for the period 1948–1953, including important correspondence between officers of the Department of State and the White House staff and Congress, as maintained by Miriam Camp of the Office of European Regional Affairs.

CFM Files, Lot M–88

Consolidated master collection of the records of conferences of Heads of State, Council of Foreign Ministers and ancillary bodies, North Atlantic Council, other meetings of the Secretary of State with the Foreign Ministers of European powers, and materials on the Austrian and German peace settlements for the years 1943–1955 prepared by the Department of State Records Service Center.

Conference Files, Lot 59 D 95

Collection of documentation on official visits by heads of government and foreign ministers to the United States and on major international conferences attended by the Secretary of State for the period 1949–1955, as maintained by the Executive Secretariat of the Department of State.

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ISA/MDAP Files, Lot 52-26

Files of the Office of the Director, International Security Affairs, Department of State, containing material for the years 1949–1951. Part of a consolidated group of five lot files, all of which are included in FRC Acc. No. 62 A 63. These lot files include documentation on the operations of the Office of International Security Affairs (S/ISA) and the interdepartmental International Security Affairs Committee (ISAC) during 1950–1951; material on program development and implementation of the Mutual Defense Assistance Program for 1949–1951; and documentation on planning directed toward the establishment of the Mutual Security program for 1951. The material includes subject and chronological files, and records of various departmental and interdepartmental committees concerned with military assistance and foreign aid during the 1949–1951 period.

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Policy Reports Staff Files, Lot 52-241

Master file of the Secret Summary, a Secret publication compiled daily by the Policy Reports Staff of the Executive Secretariat. Arranged chronologically.

NAC Files, Lot 60 D 137

Master file of the records of the National Advisory Council on International Monetary and Financial Problems for the years 1945–1958.

NATO Sub-Registry

Repository in the Department of State for the official documentation of the North Atlantic Treaty Organization, retained in the Office of the Deputy Assistant Secretary of State for Politico-Military Affairs.

Oslo Embassy Files, Lot 61 F 15

Top Secret files of the Embassy in Norway for the years 1945–1952.

Paris Embassy Files, Lot 58 F 53

Classified (through Top Secret) central and consular files of the Embassy in France for the years 1950–1951.

PPS Files, Lot 64 D 563

Master file of documents, drafts, records of meetings, memoranda, and related correspondence of the Policy Planning Staff for the years 1947–1953.

Secretary's Memoranda, Lot 53 D 444

Comprehensive chronological collections of the Secretary of State's memoranda, memoranda of conversation, and memoranda of conversation with the President for the years 1947–1953, as maintained by the Executive Secretariat of the Department of State.

Secretary's Daily Meetings, Lot 58 D 609

Chronological collection of the records of the Secretary of State's daily meetings with top Department of State officials for the years 1949–1952, as maintained by the Special Assistant to the Secretary of State.

Secretary's Memoranda of Conversation, Lot 65 D 238

Chronological collections of the Secretary of State's memoranda of conversation with the President for the years 1949–1952, memoranda of the Secretary of State and Under Secretary of State for the years 1951–1952, and the Secretary of State's memoranda of conversation with Senator Tom Connally of Texas for the years 1950–1951, as maintained by the Executive Secretariat.

S/P-NSC Files, Lot 62 D 1

Serial and master file of National Security Council documents and correspondence for the years 1948–1961, as maintained by the Policy Planning Staff.

S/S-NSC Files, Lot 63 D 351

Serial master file of National Security Council documents and correspondence and related Department of State memoranda for the years 1947–1961, as maintained by the Executive Secretariat of the Department of State.

State-JCS Meetings, Lot 64 D 563

See PPS files, Lot 64 D 563

Under Secretary's Meetings, Lot 53 D 250

Master file of records of meetings, documents, summaries, and agenda of the Under Secretary's meetings for the years 1949–1952, as maintained by the Executive Secretariat of the Department of State.

Vienna Post Files, Lot 55 F 125

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ECA Message Files, FRC 53 A 278

Master set of telegrams and airgrams to and from all overseas missions for the years 1948–1951 as maintained by ECA Washington headquarters.

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WESTERN EUROPE

CONTINUED ENCOURAGEMENT BY THE UNITED STATES OF EFFORTS TOWARD THE ECONOMIC AND POLITICAL INTEGRATION OF WESTERN EUROPE

I. INTEREST OF THE UNITED STATES IN THE ORGANIZATION FOR EUROPEAN ECONOMIC COOPERATION, THE COUNCIL OF EUROPE, AND THE EUROPEAN PAYMENTS UNION [1]

No. 1

740.00/1-551: Telegram

The Ambassador in Sweden (Butterworth) to the Secretary of State [2]

CONFIDENTIAL STOCKHOLM, January 5, 1951—6 p.m.

779. Secretary General of Foreign Office [3] handed me informally memorandum which is transcribed below. He proposes to hand copies to the British and French and subsequently to other powers. This memorandum has the approval of the Cabinet and the Swedish Government is taking the initiative in this wise because it does not feel it desirable to act either with Council at Strasbourg [4] or with OEEC at Paris and in order that the governments concerned may have a chance to study the proposal quietly without having to take a public position in the near future which might through haste be adverse. I therefore assured him we would treat it in strict confidence. (Copy memorandum attached.)

"(1) The latest developments have stressed the urgency of strengthening the unity of Europe and of finding the practical expression of the community of aims of the European countries. After the war different forms have been tried to bring about a firmer organization of the European cooperation. Valuable experience has been gained. Taking advantage of this experience it should now be possible to take another step towards the integration of Europe through further efforts.

(2) On the one hand, in the OEEC there has been created an organism where new forms have been tried for direct administrative

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[1] For previous documentation on these subjects, see *Foreign Relations*, 1950, vol. III, pp. 611 ff.

[2] Repeated to Paris and London.

[3] Dag Hammarskjold.

[4] Reference is to the Council of Europe.

cooperation for common purposes between the European Governments. Within the given technical framework it has proved possible to solve quickly international conflicts in the economic field and to reach results of great practical importance.

At the same time, through the Council of Europe, one has strived to link the European cooperation directly to parliamentary opinion in the different countries. The aim is to gain in national politics the necessary support for the cooperative efforts and to take advantage of the initiatives which should be forthcoming from the political discussion in the different countries.

(3) The advantage of trying different methods to create the administrative-political framework for increased European unity through the two organizations mentioned above, as well as other international bodies, is apparent. However, the split of the efforts between different organizations represents a serious weakness. It is impossible to avoid overlapping and difficult to find appropriate forms for such cooperation between the organizations as would make it possible to share the advantages gained within one of them with international bodies founded on other principles. It, therefore, is important to consider the possibilities of eliminating the present division, while building on the experience gained in different fields, and the traditions developed within the various organizations.

(4) The time may now have come to submit the problems referred to above to a first study. Within the Council of Europe the problem of a revision of the statute has been brought up through a series of initiatives from the Consultative Assemblies; these are at the present time being studied by a special committee. As to the OEEC, the scheduled termination of the American aid warrants a reconsideration of the Paris convention of the 16th April, 1948, with a view to adjusting it to the new conditions. Even if it should be considered premature to establish already at this time a new organization within which the two bodies mentioned above could be merged, full agreement should exist concerning the desirability of such a development being kept in view when discussing the fundamental statutes of the two organizations.

The Swedish Government would greet it with satisfaction if the Paris convention [5] could be revised in such a way as to make possible the creation, in the near future, of a new organization into which the two bodies mentioned above would be assimilated. It seems that the discussion of this problem within the Council of Europe would not have to be entered upon, until the development inside the OEEC could be more clearly assessed.

(5) When considering the possible methods of bringing the new organization into being it should be noted that the objectives of the two organizations are not at variance. On the contrary, the objectives of the Paris organization cover an important, perhaps in fact the most important, part of the activities within the scope of the Council of Europe. Consequently, the objectives of a new organization would not have to go beyond those of the Council of Europe,

[5] For documentation on the Paris Convention establishing the Organization for European Economic Cooperation, see *Foreign Relations*, 1948, vol. III, pp. 352 ff.

although the latter should probably be supplemented by a more detailed definition of the economic aims.

(6) With regard to constitutional structure it can be noted that the Council of the OEEC, on the ministerial level, has, in different respects, been entrusted with a wider authority than the committee of Ministers of the Council of Europe. It would not seem necessary to create another body authorized to make decisions on behalf of the new organization, or to limit the competence of the Council in comparison with the rules at present in force within the OEEC.

(7) Apart from the Council, the Charter of the OEEC provides for an Executive Committee to act as a leading administrative body, as well as for several technical committees for special tasks. The Executive Committee, to which there is no counterpart within the Council of Europe, has proved to be a valuable instrument in the solution of practical problems as well as problems of principle and ought to be retained practically without alterations by a new organization. The same applies to the use of special committees. There would, of course, be nothing to prevent an extension, within the framework of a new organization, of the committee structure along the lines worked out in Paris. It does not, however, seem desirable to lay down statutory rules for those committees to any greater extent than has been done in the Paris convention; experience shows that there are great advantages in leaving the shaping of this part of the administrative structure to practice.

(8) The third main body within the OEEC is the Secretariat. Experience so far supports the conclusion that, in the main, a convenient form has been found, within the OEEC, both for the structure of the Secretariat and for its competence in relation to that of the other bodies of the organization. The secretariat of a new organization could be directly modeled after the pattern of the Secretariat of the OEEC, possibly with the extensions required by the wider objectives of the new organization.

(9) The basic difference in the structure of the Council of Europe and the OEEC is of course the Consultative Assembly which forms an essential part of the Council of Europe but lacks any counterpart in the OEEC. A consultative assembly of this kind would of course, form a necessary element in a new organization. The rules governing the competence of a consultative assembly could probably remain with practically no alterations; it would seem advisable, however, to add a modification to the effect that the decisions of the council of the organization should automatically be placed on the agenda of the assembly. The assembly would thus not only retain the power to take initiatives which it now holds under the statutes of the Council of Europe, but would also automatically enter into the position of a controlling and reviewing body, both with regard to the constitutional conditions of the participating countries and in view of the necessity not to delay important decisions through procedural arrangements. It would not seem advisable to widen the authority of the assembly in such a way as to require the deciding body of the new organization to consult the assembly before taking a final decision. Nor could it at present be a question of vesting the assembly with the authority to bind the participating countries by its decisions.

(10) The Swedish Government are well aware of the difficulties that are liable to arise in connection with the proposed merger.

At the present the two organizations concerned do not embrace the same geographical areas, some members of the OEEC not being members of the Council of Europe. When preparing the statutes of the new organization one should, of course, strive to reach such solutions, as would enable all the present members of the OEEC to join the new organization. This necessitates no doubt a reconsideration of certain points of detail in the rules concerning the objectives of the new organization and the competence to be given to its different bodies. The Swedish Government are, however, convinced that this reconsideration will make possible the wide participation desirable, without modifying the general principles outlined above. Another problem that will arise is connected with the position within the OEEC of North American nations. In the opinion of the Swedish Government it should be possible to find a solution also of this problem within the framework of the new organization. Stockholm, 5 January 1951." [6]

BUTTERWORTH

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[6] In a letter of January 5 to Paul-Henri Spaak, President of the Consultative Assembly of the Council of Europe, a copy of which was given to the Embassy in Italy, translated, and transmitted by Minister Llewellyn Thompson to the Department of State on January 24, Ugo La Malfa, Italian Minister of Foreign Trade, repeated his proposal presented to the Consultative Assembly of the Council of Europe during its session of November 1950, suggesting that all member nations of the Council of Europe should present to the Council any projects they favored bearing on European coordination and unity as a means of vitalizing the role of the Council. (Despatch 2165 from Rome, January 24, 740.00/1-2451) On January 6, Milton Katz, the U.S. Special Representative in Europe under the Foreign Assistance Act of 1948 sent ECA Administrator William C. Foster the summary of a memorandum which Dirk Stikker, Secretary-General of the OEEC, had circulated "to Embassies, The Hague and to OEEC Dels." Stikker's memorandum stressed, in Katz' words, "the necessity of insuring closer economic cooperation between countries of Western Europe, US and Canada" and argued that the need to establish an organization to deal with raw materials "within compass of world trade should itself be a world organization." Stikker informed Katz when he presented the memorandum that he planned to discuss it with OEEC representatives and those from the United States and Canada when the OEEC Council of Ministers met on January 12. (Telegram Repto circular 2 from Paris, January 6, ECA message files, FRC 53A278, Paris) In telegram Repto 160 from Paris, January 11, Katz informed Foster that during an interview that day Hammarskjold had said that "His government was anxious to avoid making a formal proposal" concerning the reorganization of European supranational institutions "at this time." Hammarskjold added that in putting forth the proposal contained in telegram 779, the Swedish Government was "keenly aware of the need to proceed with great care. If this little hot-house plant should be taken out from under glass case at this point, he feared it would quickly be frozen." (ECA message files, FRC 53A278, Paris) In telegram Repto 1977 from Paris, April 28, Katz reported that the OEEC Council had informally discussed the "Swed memo relationship with Council of Eur" but that Hammarskjold was supported only by the Austrian and German representatives. "Apart from these two countries, Swed proposal received only cautious comment. Tone was largely set by Morrison of UK who stated that his govt not enthusiastic even on appointment of comite until its terms of ref and purpose were made clear." (ECA message files, FRC 53A278, Paris)

No. 2

ECA message files, FRC 53A278, Paris: Telegram

The United States Special Representative in Europe Under the Foreign Assistance Act of 1948 (Katz) to the Administrator for Economic Cooperation (Foster) [1]

CONFIDENTIAL PARIS, February 22, 1951—3 p.m.

Repto 856. For Foster and Bissell (limited distribution).

1. Marjolin has prepared for ministerial meeting, probably May 9, paper [TFD/DI-60 (second rev.)] [2] entitled "Immediate Tasks of Economic Cooperation Between The Members of OEEC, The United States and Canada". Expects discuss with you Monday [3] so as to cable suggestions for revision by Secretariat Tuesday and discussion with heads delegations here Wednesday. Appreciate your comments Tuesday. [4]

2. Text given below had been discussed with US, UK, French, Italians and Dutch. May be revised in light such discussion before Marjolin delivers to you. Principal comments were:

(a) We thought paper useful. Suggested rewording paragraph 27 to omit second sentence, make clear that attitude of US mentioned as important factor relevant to choice of organizational set-up rather than in context demand by PC's that US play more active role. We indicated hope for maximum US participation but would like proceed on *ad hoc* basis and would not want our encouragement submission paper be construed as general commitment by US. Marjolin indicated importance exchange of views with US re such matters as price and credit policies. Hall-Patch speaking personally stressed need forum for general exchange views and coordination economic policies with US.

(b) UK preliminary official attitude so far lukewarm but may modify [position?] further discussions Hall-Patch London over week-end. Believe paragraph 18 re tariffs too sweeping. Skeptical whether "tinkering with tariffs" will have long range effect against inflation. Would involve colonial and commonwealth complications. Preferable to stick to GATT. Raw material solution must come first. Why not wait and see what Stikker mission accomplishes.

(c) French generally favorable. Outcome should be concentration on trade liberalization especially through common list, tariffs, coordination of internal controls and exports, procedures for expediting work of OEEC. Marjolin believes OEEC tariff program should await termination Torquay.

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[1] Repeated to London for Spofford.

[2] Brackets in the source text.

[3] No record of a discussion between Marjolin and Foster or Bissell has been found in Department of State files.

[4] See the editorial note, *infra*.

(d) Italians suggest more emphasis need for common action but more flexibility re details.
(e) Dutch would soft-pedal political issues paragraph 24. Need for common action on inflation real but hard to demonstrate.

3. In view present UK attitude Marjolin uncertain whether to present to ministers. Will decide on basis comments at Wednesday meeting.

4. If submitted, paper would be accompanied by (a) report of Stikker mission, (b) report of vertical committee work, (c) paper on urgency increased food production, (d) paper on harmonization internal controls.

5. Text follows:

"*Introduction.*

1. It is nearly six months since the Council examined a memorandum by the Secretary General on urgent economic problems. That paper drew the attention of the Council to a number of dangers menacing the economic stability and health of the western world. The most important, each closely linked to the other, were the following:

> Inflation, and the need to combat it by all methods, in particular by increasing production.
> Inequality of access to raw materials, uncertainty about future supplies and increasing prices.
> Interruption of the progress towards that creation of a single market in Europe, and even reversal of the steps already taken.

2. Without recapitulating the previous paper, most of which remains valid, it is desirable to look again at those problems for which concerted action is still required. The question of where such concerted action should be taken is of secondary importance. What is essential is that agreement be reached on the major questions and action taken without delay.

3. Of the three aspects of the major problem treated in the memorandum of last October and summarized in paragraph 1 above, decisions have been taken to deal with the second aspect in Washington, and this part of the problem is not further discussed in this note.

Inflation.

4. The memorandum written last October dealt with the problem of inflation in the following words:

(Here follow three paragraphs from the October memorandum beginning 'the forces making for inflation have not yet had time to come into full play'.)

5. Since then there has been serious deterioration of the situation; inflation is no longer merely a threat, it is a fact. Raw material prices have increased. Prices of Egyptian cotton and wool on the United Kingdom market have risen by some 50 per cent since October; the prices of mercury and tungsten have practically doubled:

the prices of tin, paper, pulp, hides and skins have risen by 30–40 per cent. There is hardly a single important raw material the price of which has not risen substantially since October. These price increases are in addition to the very large increases which took place between June and October 1950. Largely as a result of the steep rises which have taken place in raw material prices, import prices in certain participating countries have increased from 10–20 per cent since the second quarter of 1950; they are still rising and will rise further as recent price increases become more fully reflected in the figures. The rise in import prices has been accompanied by a deterioration, since the second quarter of 1950, of the terms of trade in many participating countries.

6. There are already signs that price increases flowing from the movement of raw material prices are spreading throughout the economy of the western world. Wage rates are inevitably rising and in almost all participating countries rose by some 5 per cent in 1950. These movements can hardly be kept in check in the face of increases in wholesale prices in many participating countries of 10–20 per cent since June, 1950, marked increases in the cost of living in some and a significantly rising trend in many others.

7. These developments are the more disquieting in that the actual impingement of rearmament on the economies of the western world is still very slight. Though large sums may be programmed for defense, or even appropriated, comparatively little has yet been spent either in Europe or North America. The events of the last six months show the impossibility of holding the economy in balance unless all available checks are imposed. Physical controls may be used to direct the supply of raw materials into the desirable channels of production or negatively to limit their use in nonessential production. Fiscal policy may be adequate in that the government accounts show a current surplus. Yet even in countries where both these policies have been adopted but have not been accompanied by a very strict credit policy inflationary pressures have developed at an alarming rate. It is essential to bring these pressures under control. If allowed to develop unchecked inflation can not only endanger the social and political fabric of the whole western world, and undo much of the recovery which has been achieved, but also frustrate the rearmament effort itself.

8. No single movement has been more responsible for the very serious deterioration of the situation since last October than stock-building. All classes of the community, merchants, manufacturers have sought to build up stocks of raw materials, manufactured goods and foodstuffs. It is this, not defense expenditure, which has led to shortages and increased prices. At this stage of the inflationary process it is essential to reduce the supply of money at the disposal of all sections of the community. Such reduction can be made either by fiscal or by credit or monetary policy. General measures of this kind have the virtue of working throughout the whole economy, without leaving the loopholes inevitable when physical controls alone are used. When such restrictive measures have been taken it may then be necessary to take carefully devised selective action in the contrary sense in order that essential production be not hindered by financial difficulties.

9. Responsibility for imposing the necessary restrictive measures rests on each individual government, particularly on the major powers whose economies have the major effect throughout the western world. But discussion between governments is essential for two reasons. In the first place, the inflationary pressures in each country react on each other. It is the concern of all that each take adequate steps, and it is only by a general examination that the gravity of the problem can be weighed and the adequacy of the measures taken judged. Secondly, it is certain, for some governments at least, that it will be of assistance to them in carrying out a necessarily unpopular policy if they are able to show that it is part of a collective effort to combat inflation.

10. The development of inflationary pressures during the last six months have for the most part been due not to increased defense expenditures but by a presumption that these expenditures will lead to shortages and to inflation. But during the course of 1951 the increased defense expenditures will have a direct effect; they will constitute a significant increase in the demand on available resources. Demand must be kept in balance with resources. It will be necessary at least for a period to achieve this balance by a reduction of demand, whether of investment, consumption or nonmilitary government expenditure. But the only satisfactory way of bearing the armament burden in the coming months and years is by increasing production. In view of the severe strain there will be on all resources the proper direction of the effort to increase production is as important as the effort itself. It is essential to concentrate on the key products essential for the balance of the economy as a whole.

Increased Production.

11. The most serious failure in Europe since the European Recovery Programme began has been in coal production. Production in 1950 was 7 percent below the target set at the Paris conference in 1947. The price now being paid in Europe for that failure is high, and may become higher. Unless great improvement can be achieved rapidly, the required degree of expansion of European production will not be possible. Indeed there is a grave danger that for lack of coal the present level of production cannot be sustained. Coal is the product par excellence increased production of which can yield greatest results in checking inflation. Failure to mine sufficient coal would strengthen tremendously the inflationary forces now at work.

12. This is a challenge to all Europe, and in particular to the main producing countries. Immediate action, both national and international is necessary. A plan to increase coal production, with, where necessary, cooperative action to overcome all shortages, whether of manpower, machinery, housing or materials, is called for urgently.

13. If sufficient coal is not produced, there will assuredly be an immediate shortage of steel. But, even if adequate coal can be mined it is questionable whether in present plans there will not be a steel shortage that will hinder the expansion of the European economy in the future. It may be wise to sacrifice some steel imme-

diately in order to increase steel output in three years and thus be in a position either to support an increased armaments burden, or to release steel in greater quantities for civilian use. This question should be examined immediately.

14. The additional load that is going to be placed on the economy will almost certainly lead to an increased demand for foodstuffs. Yet on the other hand, if positive action is not taken to encourage food production and to ensure adequate supplies of fertilizers and agriculture machinery for the farming community, there may be a decline in food production. The same result may follow if food prices fall out of line with the prices of raw material or manufactured goods. The heavy demands for shipping space may curtail imports of bulk foodstuffs, a situation if not of acute shortage at least of tightness of supplies and consequent distribution difficulties is only too likely to develop. The guard against these dangers, a food production program should be initiated in Europe immediately.

15. The industrial countries must recognize that they will not be able to obtain increased supplies of the war materials and foodstuffs they import unless they are able to supply in return capital and consumer goods. Indeed, even the present quantities may be endangered if the necessary exports are not made available. In the absence of such exports, there will be inflation in the producing countries, and no incentive to increased production. Without an assurance that such exports will be forthcoming, the producing countries may well refuse to accept international discipline in the handling of their produce. Indeed, some of them are already adopting such a policy.

16. This is a matter of great concern to the industrial and raw material producers alike. The reverse of the adverse movement of the terms of trade for the industrial countries is a favorable movement for the raw material producing countries. Neither party is well served by movements which may disrupt the economy of the western world. There is no advantage for the producing countries in accumulating balances in the currencies of the industrial countries when their need is for goods. Yet by wise policies the interests of both can be met. Provided the exports of both consumers and capital goods can be assured, and provided that some part of the increased funds in the producing countries resulting from higher prices can be channelled into investment to increase the production of scarce raw materials, the industrial countries can be assured of increasing supplies and the producing countries will be spared inflation.

17. It is important that the maximum emphasis be put on the production of raw materials and foodstuffs. In order that balance in the economy of the western world may be preserved, industry as such must not be built up far in advance of the forseeable raw material supplies.

Reduction of Trade Barriers.

18. The present dangers of inflation make essential reduction of barriers to trade, whether those take the form of tariffs or quotas. Immediate and empirical action is needed. Each country not hindered by balance of payments difficulties should take individual

action, if necessary for a limited period, to reduce or suspend its customs tariffs and to remove quantitative restrictions on imports. When the major danger is inflation, there is no justification for maintaining obstacles to trade where they cannot be demonstrated to be essential, and particularly when they are protective in their effects.

19. In addition to these empirical and individual measures, the present circumstances afford a favorable opportunity for a further collective advance in this field, provided that new methods are now adopted. While it is not true to say that the limit has been reached of what is desirable to do in the way of eliminating quantitative restrictions, it is probable that no further advance can be made for the moment by the percentage method. Action now needs to be taken in the field of tariffs and by methods more general and more automatic than have hitherto been followed in the GATT negotiations. In that field in particular there is advantage in action being taken on as wide a front as possible, not confined to Europe only.

20. For such action a decision of principle of governments is necessary. The delay in working out of the plans submitted to the organization last summer by the governments of the Netherlands, Italy and France shows how necessary such preliminary decisions of principle are, if action is to be taken promptly.

21. The action already being undertaken by the organization with a view to the harmonisation of controls both of internal consumption and exports must be pushed on with all speed if an attack on trade barriers is itself to have any chance of success. It is unlikely that progress can take place in the absence of such harmonisation; indeed, if no such harmonisation can be achieved, there is even a serious risk of nullification of the measures which have already been taken. But the implementation of the unilateral measures suggested in paragraph 17 should not be delayed while such harmonisation measures are being worked out.

Summary of Urgent Tasks.

22. In this memorandum attention has been concentrated on the need for decision and action to deal with a limited number of the most urgent problems with the exception of those connected with the distribution of raw materials of worldwide interest. The following are the problems which have been sketched.

a) The need for a strict credit and fiscal policy to restrain the existing inflationary pressures.

b) The need for a plan to increase production of coal and steel.

c) The need for increased production of foodstuffs.

d) The need to assure exports of capital and consumer goods to the countries producing raw materials and foodstuffs.

e) The need to reduce trade barriers, both by individual and by collective action.

23. These immediate problems are very closely linked together. All are directed towards maintaining stability throughout the free world and combatting inflation. Some of them are entirely within the immediate responsibility of the governments to which this

memorandum is addressed. Some are of world concern, affecting other governments whose interests must be respected and who must in some way be consulted. But these latter affect so vitally the twenty governments that it is not possible to ignore them in this document. Indeed the economies of some of those twenty countries are so powerful and their importance in world trade so great that to a large extent they are able by their decisions to affect fundamentally, whether for good or for ill, the economies of the whole free world.

The Problem of Organization.

24. Previous memoranda submitted by the Secretary General have ended with detailed proposals on the place and the method for dealing with the problems raised. The problems raised in this paper are so urgent that it would have been desirable on this occasion also to make proposals for dealing with them. Unfortunately, such is the present organizational complexity that it is not possible for the Secretary General to make detailed proposals without dealing with problems that are beyond his competence. The most important issue is the discussion and solution of the urgent problems dealt with in this memorandum, and organizational problems are of but secondary importance. Nevertheless, decision on organization for discussion and solution of these problems is nonetheless most urgently required. It appears that any decision on this organizational question should be made in the light of the following considerations.

25. Firstly, while governments are today faced with a series of urgent problems dealt with in this paper, new problems will arise tomorrow. It is essential that arrangements be made for discussion and solution of urgent problems as they appear. We cannot afford to waste months in deciding in respect of each problem where it shall be treated.

26. A second consideration is that the problems arising cannot be discussed piecemeal. One part of the problem, that of the distribution of raw materials of worldwide concern, is already to be treated in Washington. Provided that very careful arrangements are made for coordination and liaison, it is possible for the other aspects of the problem to be treated in another continent and a different organization. But further fractionalising of the problem is not compatible with the efficient conduct of business, and will lead to confusion, not solutions.

27. The last and overriding consideration in deciding the place and organization for such discussion is the position of the United States. Without the full participation of the United States, no fruitful discussion can take place. It is not only that by its very weight and power the United States is by its own policies able to influence more powerfully the march of events than any other member of the Atlantic community; other members who have worldwide interests and commitments, will find it increasingly difficult to discuss the heart of the problems facing them if the US is not participating fully.

28. It is for governments to decide the most appropriate place for discussion and solution of these problems in the light of these and other relevant considerations."

KATZ

No. 3

Editorial Note

In telegram Repto 880 from Paris, February 23, Katz informed Foster that the meeting of the OEEC heads of delegations on the Marjolin memorandum was now scheduled for Tuesday instead of Wednesday and that the memorandum was designated TFD/DL–65 with a number of changes, the most important being a newly-drafted paragraph 24 stressing the need for concerted and collective efforts by the member governments and a revised paragraph 27 (which became paragraph 28) stressing the importance of the United States as a full partner in such efforts because of its position as member and leader of the "Atlantic community". (ECA message files, FRC 53A278, Paris) In telegram Torep 1313 to Paris, February 24, Foster stated that ECA's preliminary reaction to the Marjolin paper with modifications reported in telegram Repto 880 was "extremely favorable. Believe we should encourage submission to Council and should promise fullest practical U.S. participation and support in dealing with problems listed Paragraph 22" of telegram Repto 856. Foster added that he agreed with the position stated by Katz in paragraph "a" of telegram Repto 856 concerning the degree of United States participation. In conclusion, Foster stated "Will discuss further with Marjolin, Stikker and expect express foregoing views." No record of these conversations has been found in Department of State files, but in telegram Torep 1336 to Paris, February 26, Acting Administrator Paul Porter stated: "Our general view is that Marjolin paper is admirable document especially as improved by changes noted in Repto 880. We have no significant particular comments." (ECA telegram files, FRC Acc. No. 53A278, Paris Torep)

The Marjolin memorandum was considered twice in late February and early March by the OEEC. In telegram Repto 1110 from Paris, March 10, Katz reported that at the close of an informal debate on March 9, the ministers agreed that the OEEC Secretariat would prepare a resolution to carry out the general policies indicated in the memorandum, tying this in with a raw material item then on the formal Council agenda. (ECA telegram files, FRC Acc. No. 53A278, Paris Repto) Thereafter the memorandum languished

until Stikker revived it in July as the European Manifesto (see telegrams 3875 and Depto 198, Documents 16 and 18).

No. 4

740.00/2-2851: Despatch

The Consul at Strasbourg (Andrews) to the Department of State [1]

CONFIDENTIAL STRASBOURG, February 28, 1951.

No. 294

Subject: Meeting at Strasbourg on February 26 and 27 of the Special Committee on Agriculture of the Consultative Assembly, Council of Europe.

The following members of the 7-man Special Committee on Agriculture of the Consultative Assembly, Council of Europe, met at Strasbourg on February 26 and 27 to prepare a report on a European Authority for Agriculture: Signor Ludovico Benvenuti (Italian), Chairman; Mr. David Eccles (British), Vice-Chairman; Monsieur René Charpentier (French), *rapporteur* of the Committee; Mr. W. Rip (Netherlands); and Herr Heinrich Gerns (German). The two other members of the Committee were not present, namely, Mr. Suad Hayri Ürgüplü (Turkish) and Mr. Per Federspiel (Danish).

Reference is made to Documents No. AS(2)54 [2] and No. AS(2)154, [2] concerning the establishment of specialized authorities. I am told that Mr. Eccles interpreted "texts" in paragraph (iv) of the latter document to mean texts in each case for a European Authority for Agriculture and a European Authority for transport, whereas it was interpreted by the other members of the Committee that only one text for each authority should be drawn up. In any case, Eccles' contention prevailed and two reports were prepared by the Committee, eight copies of which are enclosed: (1) Documents AS/SA(2)5 and (2) AS/SA(2)4. [3] The first document was approved by Benvenuti, Charpentier, Rip, Gerns, and, according to Charpentier's statement, by Ürgüplü in absentia, and the second by Eccles, of course, and Federspiel (who telephoned from Copenhagen to the effect that he supported the Eccles proposal). Thus, the voting of the Special Committee represented the usual alignment of Great Britain and Scandinavia against the Continental countries.

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[1] Copies to Paris for Embassy and OSR, London, Rome, Ankara, Copenhagen, The Hague, and Frankfurt.

[2] Not found in Department of State files.

[3] Not printed.

Charpentier's report recommends the establishment of a High Authority for Agriculture which would function on the basis of majority voting, while Eccles' report recommends the creation of a limited Authority to which all member countries of the Council of Europe could accede and whose decisions would take the form of recommendations to governments and would be arrived at through unanimity in voting. The *rapporteur*, who is said to be a close friend of Monsieur Pflimlin, former Minister of Agriculture, modeled his project on that of Pflimlin. The difference between the two proposals is best illustrated by certain quotations from them. For example, the Charpentier report contains these statements:

"The organisation of European agricultural markets will contribute to the economic and political integration of the European nations and to the development of a genuine European solidarity.

"The creation of a High Authority for Agriculture provides the best means of interesting public opinion in European problems." (Section II, A, page 2 of Document AS/SA(2)5.)

"The method of bilateral or multilateral agreements between Member States of Europe would be doomed to failure." (Section IV, paragraph 2, page 14 of Document AS/SA(2)5.)

"By the same token, it follows that without a European agricultural policy, there can be no large-scale development of production and no co-ordination of capital investment. The food situation in Europe will thus become progressively more difficult, and Europe will become more and more dependent on the dollar area." (Section IV, paragraph 5, page 14, Document AS/SA(2)5.)

The following statements in the Eccles Report should be noted:

"Believing both that this type of supra-national Authority would not secure the support of all the Members of the Council of Europe and that the nature of the agricultural industry was unsuited to such an Authority, certain members of the Special Committee asked that a paper be submitted to their next meeting describing an alternative structure for a European Authority based upon the inter-governmental principle. The Report that follows has been written to fulfil this request." (Paragraph 4, page 1, of Document AS/SA(2)4.)

"This may be attractive in theory but in practice the political, social and economic arguments against a single market are so formidable that were this long-term aim adopted, it is doubtful whether an Authority would ever be set up with adequate powers to do any useful work." (Sub-paragraph of paragraph 9, page 3, of Document AS/SA(2)4.)

"*Conclusion.*

"15. The conclusion is reached that

(a) the nature of agriculture itself, and

(b) the extra-European interests of the Members of the Council of Europe

rule out a supra-national Authority invested with powers to change the pattern of production and import in the Member countries.

"Instead, Part Two of this Report recommends an inter-governmental Authority composed of the representatives of governments and of the producers' organizations, which will have no power to interfere with the individuality of national markets, but will use persuasion and goodwill to expand and rationalise the production and consumption of food in the area of its Member States." (Page 5 of Document AS/SA(2)4.)

"*Decisions of the Authority.*

"23. The decisions of the Authority will take the form of recommendations to governments.

"If there is good will the rule of unanimity will prove no obstacle; if good will is lacking no form of paper constitution laying down voting by a majority will secure better results." (Pages 8 and 9 of Document AS/SA(2)4.)

At the press conference of the Special Committee on Agriculture, held on February 27, Mr. Eccles made an apologia of his plan, stating that all the Members of the Committee were agreed on the general objectives of a European Agricultural Authority but were in disagreement on the question of how it could be achieved, and that his proposal, based on the inter-governmental principle, was against the establishment of a supra-national authority on these grounds: (1) that agriculture is a primitive industry and that it would be most difficult to change the habits and ways of thought of farmers throughout Western Europe, all of whom are different in mentality and methods, anyway; (2) that agriculturists are already well organized in producers' associations, and (3) that the British Government could not abandon to a supra-national authority decisions regarding the importation of food into Great Britain, since Great Britain must know where food is to come from. He stressed the points that he wanted to avoid an authority similar to the Schuman Plan, in which only six countries had joined, and that all the countries members of the Council of Europe must be parties to the authority, because agriculture and the importation of food affected them all.

In defending his own report at the press conference, Monsieur Charpentier took particular exception to paragraphs No. 7 and No. 18 of the Eccles report. He expressed disagreement with the contention of Eccles that farmers were so diverse in their methods and manner of thought that they could not be brought to agreement, citing in argument a recent international conference of beet growers who had all reached an accord on their problems. Charpentier said that Eccles' ideas, as embodied in his report, did not go far enough, since they envisaged only "recommendations" by the Agricultural Authority to the various governments and, furthermore,

even these recommendations could be adopted only through a unanimous vote. He himself was in favor of a two-thirds majority for the Authority in voting decisions.

Upon being questioned by a newspaper correspondent, Signor Benvenuti backed up Charpentier's contention that the Eccles Plan did not go far enough and asserted that any Agricultural Authority established under the Council of Europe must be similar to the Schuman Plan; in a word, that there must be an agreement on federalist lines, whether or not all the Council of Europe States chose to enter into it. The Italian said that if the Special Committee had adopted the Eccles proposal it would have shirked the mission which had been assigned to it.

Certain background information, which may be of interest, was furnished me by the Counselor of Committee Services of the Secretariat, who attended the meetings of the Special Committee. Charpentier announced in a Committee meeting that the French Government planned to call a conference for the establishment of a European Agricultural Authority along the lines of the Schuman Plan and, according to my informant, Eccles rudely countered that the British Government would not accept an invitation to such a conference. During the course of the discussions Eccles insisted on the general thesis that there should be no more division of Western Europe along the lines of the Schuman Plan; that if Europe should become really divided, all vital decisions in international affairs would be taken by the United States and that, in any case, a divided Europe would be of no use whatever to the United States. (Quite incidentally, the Secretariat official in question told me that Mr. Eccles was slated to be the next Chancellor of the Exchequer in the event of a Conservative victory at the polls.) As noted above, the Italian, the Frenchman, the Netherlander, the German, and the Turk voted in favor of the Charpentier Report. However, Mr. Eccles expressed doubt in the Committee that Mr. Ürgüplü, the Turk, had actually given his approval. It seems that Herr Gerns supported the Charpentier Plan with these reservations: (1) Germany is not now entirely master of its own economy; (2) the German attitude on such questions as a European Agricultural Authority must depend on how international affairs develop, e.g., if it appeared that Russia would afford Western Europe a breathing space, for example, of five years, he would be prepared to have Germany make the experiment provided for in the Charpentier Plan, but if it appeared that Russia would attack Western Europe within a year or two he would prefer the Eccles Plan.

After the press conference, Monsieur Jacques Camille Paris, Secretary-General of the Council of Europe, who seemed pleased that the Charpentier Report had been adopted and the Eccles Report de-

feated, told me that both reports would undoubtedly be thoroughly debated in the forthcoming session of the Consultative Assembly, and that possibly both would be approved in order that those countries desirous of going the whole hog might enter the Charpentier Plan and that all member countries might adhere to the Eccles Plan. [4]

GEORGE D. ANDREWS

[4] In despatch 4392 from London, March 16, Second Secretary of Embassy William Kling commented that the Charpentier Report was defective on two counts: First, it attempted "to accomplish on an international basis objectives which have been difficult, if not almost impossible, to attain on a national basis," and second that Charpentier's plan "is essentially restrictionist in character" and would work to the advantage of agricultural countries like France but to the disadvantage of the importing nations such as the United Kingdom. (840.20/3-1651)

No. 5

740.5/5-1651

The Secretary of State to the Chairman of the Senate Committee on Foreign Relations (Connally) [1]

WASHINGTON, April 6, 1951.

MY DEAR SENATOR CONNALLY: I refer to your letter of January 17, 1951, [2] inviting the Department's comments on S. Con. Res. 4, a resolution requesting the President to call an international conference of North Atlantic Treaty Nations to explore the possibility of federal union.

The resolution deals with a possibility which extends beyond the normal range of relations between this country and other independent nations. The formation of a federal political union between the United States and the other North Atlantic Treaty countries would have the most profound effects, not only in the field of foreign policy, but also upon the structure of our Government and our national economy. Fundamental issues of this kind would seem to require a very broad basis of deliberation and exploration.

The Department considers Congressional examination as an appropriate and practical way of discovering the extent of existing possibilities as well as difficulties. The communication addressed by Senator Gillette on behalf of the sponsors of the resolution to the

[1] The source text is "Tab 3" to the memorandum by Assistant Secretary of State for European Affairs Perkins to the Secretary of State, May 16. See Document 11. A marginal note indicates that the letter was prepared by Howard C. Johnson of UNA/P on March 21 and cleared with UNA, EUR, and H.

[2] Not found in Department of State files.

parliamentary bodies of certain other countries may prove helpful to this end.

The State Department will be happy to consult with the Members of the Congress on aspects of the problem which are within its competence, and to carry out such specific tasks of investigation, within the Department's responsibilities, as may be requested of it.

The entire process of exploration should, however, be carried out in such a way that the United States is not committed to take official steps toward Atlantic Union unless and until a concrete plan has evolved and it is clear that the principles and implications of federal union are fully understood and accepted. The Department believes that the calling of an official international conference by the President would inevitably imply such a commitment in the eyes of other nations and also of the American people. The Department therefore holds the view that it would be inadvisable for the President to call the federal convention contemplated by the resolution at this time.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

DEAN ACHESON

No. 6

ECA message files, FRC 53A278, Paris Telegram

The Administrator for Economic Cooperation (Foster) to the United States Special Representative in Europe (Katz) [1]

SECRET WASHINGTON, April 25, 1951—9 p.m.

Torep 2711. Subject: EPU arrangements for 1951/52. Purpose this message is to outline our present thinking on EPU arrangements for 1951/52 for your urgent comments. Following represents elaboration and explanation assumptions used in presentation to Budget Bureau as outlined in Ecato circ. E-47, [2] Paras 9-11.

1. General.

Major problems have been to find techniques (a) for assisting chronic debtors to meet their EPU deficits, and (b) for dealing with large expected sterling surplus. Both problems complicated by fact that balance of payments shows no dollar deficit for UK.

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[1] Authorized by James A. McCullough and drafted by William A. Salant, Chief of the European Trade Policy Branch of FP & TD.

[2] Not printed.

Arrangement we have assumed is variant initial position technique. We have requested $374 million to be paid to EPU by ECA on behalf of debtors in settlement of their deficits. This aid would be analogous to present initial credit positions and would be supplemented by $75 million initial credit positions to be extended to debtors by EPU (probably on loan basis). In lieu of initial debit position and conditional aid, UK would receive full dollar payment for $200 million of its 1951/52 surplus. Resulting additional dollar outlay by EPU would be offset by dollars paid in by U.S. on behalf of debtors.

We are attracted by proposal to restrict our EPU aid to Austria, Greece, and Iceland as suggested in Repto 1422 [3] Para 5, leaving EPU and creditors to provide any assistance needed by other debtors. We have not considered it possible to adopt this proposal because of (a) need to provide aid to other countries, especially Germany and Turkey, (b) probable unwillingness EPU or creditors to provide such aid from own resources, and (c) advisability providing special arrangement for sterling.

2. Treatment of creditors.

While UK surplus could be settled by 50% dollar payments under quota, believe special arrangement needed for following reasons:

(a) Net surplus according our estimate $541 million, use existing resources $106 million, leaving $435 million to be settled.
(b) If this surplus settled through 50% dollar payments under quota, fear sterling countries would take steps to reduce surplus by curtailing exports to continent of sterling area raw materials or UK manufactures. Either step would be undesirable.
(c) Settlement through quota would bring quota close to exhaustion by June 30, 1952, with prospect for continued sterling surplus. Doubtful UK would agree to substantial further financing on 50% dollar payment basis.

Accordingly propose UK receive 100% dollar payment outside quota for $200 million of 1951/52 surplus. Remainder of surplus to be settled under quota. (If 100% dollar payment is for first $200 million of surplus, it would of course be necessary to secure UK agreement in advance not to restrict surplus to $200 million by curtailing exports to continent.)

Alternative methods handling sterling problem are: (a) initial debit position and conditional aid, and (b) increase in dollar payment under quota to 75% after June 30, 1952, combined with UK agreement to increase quota so that total UK commitment to extend credit to EPU remains unchanged. (a) considered difficult

[3] Not printed.

since b/p estimates show no need for UK aid. (b) involves change in EPU basis of settlement which is not desirable to generalize but would be difficult to confine to special case of UK in 1951/52.

3. Treatment of debtors.

Our estimates assistance required by prospective debtors either through initial positions or variant thereof are (in millions of dollars):

Greece	160
Austria	75
Iceland	4
Germany	120
Turkey	50
The Netherlands	30
Norway	20
Total	459

This aid to be provided either through (a) initial credit positions or (b) dollar payment by U.S. to EPU on behalf of debtors. Such payments would be treated in EPU accounting in same manner as initial position, i.e., dollar payment would not be considered as utilization quota and would be in full settlement rather than fractional settlement deficit.

In proposing division total aid to debtors between (a) and (b) we have been guided by following considerations:

(a) desirability leave dollar position EPU about unchanged;
(b) undesirability substantial impairment EPU capital position;
(c) undesirability giving EPU claims on weak debtors.

Solution which roughly achieves these objectives is provision by EPU of initial credit positions of $60 million to Germany and $25 million to Turkey, largely or entirely on loan basis. Remaining $374 million of aid shown above, including half total aid to Germany and Turkey, would be met through dollar payments by U.S. Balance estimated deficits The Netherlands and Norway would be settled under quotas.

Estimated dollar payments and receipts 1951/52 about in balance. Estimated payments to creditors (in millions of dollars) UK $317, Belgium 63, Total 380, without allowance for Portugal, Sweden or Switzerland. Estimated dollar receipts: Payments by U.S. on behalf of debtors as above 374, fractional payments under quotas by Denmark 1, Italy 4, The Netherlands 22, total 401.

4. Special assistance.

We do not plan to request reappropriation unused portion $100 million special assistance fund. Instead we will request authority to permit PC's to use funds from their regular allotments to meet EPU deficits. Such switches would be subject to ECA approval and total amount would be limited to $100 million. Funds switched in this way could be used either to meet fractional gold payments under quota or to settle deficits in full (as in case of $3 million to be allotted to Iceland in 1950/51 in full settlement EPU deficit) as appeared appropriate in individual cases.

FOSTER

No. 7

840.20/4-3051: Telegram

The Secretary of State to the Embassy in France [1]

CONFIDENTIAL PRIORITY WASHINGTON, April 30, 1951—4 p.m.

5764. Urtel 6556. [2] Fr agri pool proposal has been subject Dept and inter-Dept discussions. Position developed in Dept has recd prelim agreement in principle ECA and Agri. Currently seeking definitive clearance interested agencies. Approved paper will be sent soonest. Substance as fol:

1. While U.S. supports gen objectives agricultural pool plan—namely, increasing level food consumption in Eur, providing degree of security for Eur agri, and obtaining benefits Eur econ integration—plan along lines so far proposed by Fr wld not be effective or desirable means achieving these purposes.

2. While Fr look upon proposal as logical extension Schuman Plan, in view of US far-reaching polit implications in Schuman Plan are not present in agri pool proposal. Accordingly, in evaluating agri proposal predominant weight must be given its econ effects.

3. As we understand, Fr plan in present form wld result in clear disadvantages for pool countries as a whole in first three stages of plan, during which principal effect will be to increase degree protection for member countries and raise prices in pool market. In fact, there is real possibility net disadvantage for pool countries as

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[1] Drafted by Louis C. Boochever of EUR/RA and Joseph A. Greenwald of CP. Approved by S/S; transmitted and signed for the Secretary of State by Raymond Vernon of CP. Passed to OSR in Paris and repeated to London, Rome, The Hague, Frankfurt, Geneva, Strasbourg, and Brussels.

[2] Telegram 6556 reported the statement of French Agricultural Minister Pierre Pflimlin that he would welcome U.S. support for the French proposals concerning the establishment of a European agricultural pool as reported in despatch 294 from Strasbourg, Document 4. (851.20/4-2751)

group in first three stages. Furthermore, no firm commitment for merger Eur national markets (the fourth stage) which is to be achieved only at indefinite future date.

4. US considers that cooperation among Eur nations in field agri can serve very useful purpose and can contribute to objectives mentioned in para 1 above, particularly through measures designed improve agri techniques and increase agri productivity. US believes that FAO and Food and Agri Comite of OEEC can be of special assistance in analyzing Eur Agri problems and, if requested, cld develop constructive proposals in line with Fr objectives. By taking advantage experience these groups, it is believed prospects for successful mtg wld be greatly enhanced. It wld be desirable therefore to arrange conference at time which wld permit dels have views these agencies. *End summary.*

Wld appreciate amplification soonest of last sentence reftel, particularly with reference suggestion in point 4 above. Intent this suggestion is to guide proposed agri mtg into more constructive channels and avoid unfavorable aspects of present Fr plan.

Request all missions answer any official inquiries by saying Fr proposal being studied by US and that we expect be able comment shortly. Any unofficial discussions shld be kept consistent with proposed position outlined above.

Wld welcome any comments on proposed US position.

ACHESON

No. 8

ECA message files, FRC 53A278, Paris: Telegram

The United States Special Representative in Europe (Katz) to the Administrator for Economic Cooperation (Foster) [1]

SECRET PRIORITY PARIS, May 3, 1951—7 p.m.

Repto 2038. Re: (a) Torep 2711, rptd London Repto 356—EPU arrangements for 1951-52; [2] (b) Torep A-1422; sent London Ecato A-295. [3]

1. Purpose this msg give our initial reactions reftel (a), suggest certain possible alternatives, and raise principal questions which have occurred to us thus far. Appreciate necessity some scheme for treatment EPU aspects in relation over-all aid request Congressional presentation, [4] but hope such presentation will be such as avoid

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[1] Repeated to London for Spofford and Batt.

[2] Document 6.

[3] Not printed.

[4] Reference is to the administration request from Congress for approximately $8.5 billion for a mutual security program for fiscal year 1952, of which about $2.2 bil-

Continued

generally determining in advance results negots with Eurs and among Eurs for EPU financing coming year. Assume you agree that before any final decisions on particular amounts US aid for particular countries to settle EPU deficits, desirable that problem be posed and fully ventilated in existing OEEC forums, and NATO burden-sharing discussions will also at some point have to be tied in.

2. First and most important reaction centers on question of Eur responsibility for Eur problems. More than any other aspects of US-Eur econ cooperation, settlement of intra-Eur payments imbalances constitutes problem area in which Eurs themselves shld face up to necessity right now of their making substantial contribution, with view to eventual assumption by them responsibility for basic problem. One of our major policy objectives since inception ECA and with renewed emphasis during past few months has been that of establishing recognition Eur responsibility for Eur problems. Proposals under review appear not support this policy and in fact run counter to it.

3. Your presentation appears rest on assumption that countries not expected receive dollar aid fiscal 1952 will not make EPU contribution (over and above ordinary EPU quota credits). This position seems to us imply that once a country has become viable in relations with dollar area it has no further obligations with reference to weaker Eur countries. This principle appears to us unacceptable. Moreover in fact countries in question will be receiving extensive mil aid which, being gift, is in fact also econ aid. I believe feasible and justifiable request UK and Belg extend intra-Eur aid thru EPU in consideration of (a) their responsibility to fellow members Eur community and (b) over-all US aid going to them including MDAP.

Re proposal EPU extend aid in para 3 reftel (a). Proposal extend such aid in form loan recognizes precedent set Ger case, and has merit not requiring further formal commitment by members and parliamentary approval. Technique capable further development, but believe at present stage, US shld not stimulate or approve any loans on basis EPU capital except relatively short term (say up to

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lion was to be marked for economic aid. The purpose of the proposed economic program for Europe was to maintain "sufficient economic strength to support the necessary European defense effort and a standard of living and rate of economic development that will insure internal stability." (Department of State Policy Report, *Current Economic Developments*, No. 306, May 21, 1951, p. 1, in Economic Affairs files, lot 70D467, "*Current Economic Developments*") President Truman signed the Mutual Security Act, as adopted by Congress, on October 11. A detailed discussion of the various provisions of this act, particularly as they applied to European military and economic aid, is *ibid.*, No. 327, October 15, 1951, in Economic Affairs files, lot 70D467, "*Current Economic Developments.*"

eighteen months). Further EPU loan Ger might be arranged, particularly if performance on terms present special EPU credit creditable. However, need debtors like Turkey appear different case and not best met by short-term loans. Long-term loans likely assume character EPU grants which in fact wld constitute impairment EPU capital and which we wld oppose at present stage.

5. Apart from Austria, Greece, Iceland, possibly Turkey, we believe much advantage extending aid on basis "ultimate positions" rather than "initial positions" whether provided by Eurs or US. Proposed aid to Ger, Netherlands, Norway essentially similar to IP's, i.e., aid predetermined and preannounced. Prefer ultimate position treatment because (a) IP approach necessarily based on forecasts which, in light experience last three years, are uncertain at best and often vary widely from actual results, and (b) ultimate position approach makes continued review (by ECA, OEEC–EPU and FEB in connection burden-sharing) more effective means pressure for appropriate econ policies and corrective measures. Funds potentially required for such ultimate positions wld best be retained in ECA reserve fund without preallocation even for illustrative purposes.

6. Re special assistance fund. Agree desirability limited discretionary switches direct aid to help meet EPU deficits described para 4 reftel (a). However do not believe switch arrangements meet problem of need for reserve fund intended (a) as backing unforeseen contingencies and developments not capable being dealt with by switch otherwise, and (b) as source aid for ultimate positions described preceding para. Believe we must consider fully possibility reconstituting special assistance fund for fiscal 1952. Even on basis your figures, it wld be possible reserve $85 million out of proposed aid to Ger, Netherlands and Norway ($110 million proposed reftel (a) for initial aid their countries, minus $25 million to Turkey to complete full cover estimated deficit $50 million by IP fully financed by US).

7. Re analysis and treatment UK problem described both ref msgs. Proposed full dol payment to cover first $200 million estimated UK surplus appears to us to abandon substance while preserving shadow US position on conditional aid to UK. Particularly objectionable since now we are being asked to help finance sterling area surplus with EPU, whereas previously we were asked finance sterling area deficit with US. We can readily appreciate possibility UK wld attempt cut down sterling surplus with EPU by restricting exports, but believe our attitude towards such action shld be related to manner in which continental countries are using raw materials. Alternative way dealing with surplus wld be to increase imports to sterling area thru greater trade liberalization; we shld not

foreclose opportunity to push for this. It also seems to us undesirable to modify original quota and percentage gold settlements on basis extremely short experience, and apart from criteria applying to all countries, particularly since amount UK quota always implied possibility very sizeable UK surplus (or deficit). Finally, there seems to us clear connection between development number unfavorable EPU positions (notably Ger) and development UK surplus. Correction extreme deficit positions likely to have significant effect on magnitude UK surplus.

8. Believe important consider what interim arrangements (until new fiscal 52 aid funds available) can be made to finance post-June 30 deficits Greece, Austria, Iceland, where seems desirable present blocking of quotas shld be continued. If no 1950–51 residual funds available (e.g. special assistance fund) it will be necessary unblock quotas temporarily. This technically possible (though complicated because actual operations under quota wld be subsequently wiped off books), but believe preferable if possible give some indication interim financing arrangements to permit continuation or renewal bilateral commercial agreements under which trade carried on.

KATZ

No. 9

740.00/5-951: Despatch

The Consul at Strasbourg (Andrews) to the Department of State [1]

CONFIDENTIAL STRASBOURG, May 9, 1951.

No. 384

Ref: Consulate's Telegram No. 137, May 7, 1951, 6:00 p.m. [2]

Subject: Debate in the Consultative Assembly, Council of Europe, on the Report of the Committee of Ministers, on the address of D.U. Stikker, Chairman of the Committee of Ministers and President of the Council of the OEEC, and on Revision of the Statute. [3]

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[1] Repeated to Paris, London, and Frankfurt.

[2] Telegram 137 summarized the address and debates discussed here. (740.00/5-751)

[3] During 1951, the various branch organizations of the Council of Europe held a number of meetings. The Committee of Ministers met three times at Paris: March 16–17, May 2–4, and August 1–3. During the first two meetings, it was agreed to advance the Federal Republic of Germany to full membership. The Consultative Assembly held its Third Annual Session at Strasbourg in two parts, the first from May 5 to May 15, the second from November 26 to December 12. In addition, the General Affairs Committee of the Consultative Assembly met September 27–29 and various other committees established by the Assembly were in session during the course of the year. The Embassy in France and the Consulate at Strasbourg kept the Depart-

Continued

As reported in the Consulate's telegram No. 137, May 7, 6:00 p.m., the address of Mr. D.U. Stikker as Chairman of the Committee of Ministers and President of the Council of the OEEC on the morning of May 7 was, in general, most favorably received by the Assembly; subsequent speakers have continued to pay tribute to the speech. Not only British Conservative Delegates, but also various other Delegates, have acclaimed the speech as marking the beginning of true parliamentarianism in the Council of Europe.

Some of the salient parts of Mr. Stikker's speech, copies of which were forwarded to the Department with despatch No. 381, May 8, 1951, [4] are summarized herewith:

Introductory Remarks

In his introductory remarks Mr. Stikker said that "It is my deep conviction that Europe will not be built in a day, nor by setting out a constitution on paper", and that "the submission of reports of the Schuman organization and probably of other European organizations maintaining a liaison with Strasbourg in one way or another might in future years lead to the presence of more members of the Committee of Ministers or their alternates in the Assembly."

Message to the Assembly

The speaker stated that the habit of European consultation was growing far more rapidly than the constitutional framework set up for the work of the Council of Europe; that the previous year the Assembly had made the "wise decision to go slowly but surely and to avoid forcing issues which might lead to dissolution instead of to unison"; and that there were two points in the message of the Committee of Ministers to the Assembly of considerable importance: (1) The principle of partial agreements, enabling some member governments to acquiesce in a proposition which they feel they could not for the present bring into practice themselves, has been adopted by the Committee of Ministers which will study the possibilities of implementing this principle, and (2) The proposals for the development of the Assembly's consultative functions met with the complete agreement of member governments, which are studying a formula which will take into account the constitutional implications of "this far-reaching decision".

Europe in World Politics

The Chairman of the Committee of Ministers asserted that the closer cooperation achieved in the last five years among the nations of Europe had been brought about only partly by idealism and to a large extent was the result of the "bitter necessity" of uniting the remaining forces of the European countries in order to escape from being overrun by an invasion from the East; and that such developments as the attack on South Korea and conflicts between sovereign states in Asia might ultimately affect the well

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ment of State fully informed of the course of debate and discussion in the meetings of the various organizations; documentation is in file 740.00.

[4] Not printed.

being and security even of countries previously "embodied in neutrality".

Western Union

Apropos of efforts made so far to establish a link between the Brussels Treaty Organization and the Council of Europe, Stikker remarked that the Brussels Powers Organization had reacted most cautiously to Monsieur Mollet's proposal that the Committees of Experts of the Brussels Treaty Organization, who were engaged upon important and constructive tasks under the supervision of the *permanent* Commission of the Western Union be transferred to an organization like the Council of Europe, which was meeting only *once or twice a year.* He said that in his opinion the desire of the Assembly for closer relations between the Council of Europe and the Western Union could be made by establishing a method of regular communication between the two organizations, including the exchange of documents and periodical reports on the cultural and social activities of the Western Union.

Functional Organizations

Stikker emphasized the "inescapable fact" that functional integration can be successful only when it is spread over as many factors of the economic life of as many countries as possible, and that the Schuman Plan marked a hopeful beginning but constituted by no means the end of the road. In concluding his comments on functional organizations, he expressed his devotion to the cause of functionalism when he stated that the Assembly should take a *long term view* of things, since the "fruition of its work does not lie in tomorrow but in a future further removed".

The OEEC Report to the Assembly

With regard to the multiplicity of international organizations in Europe, Stikker said that he would like to see a gradual simplification "in the architectural style of the House of Europe" come about as soon as conditions should permit, but that the integration of economic and social forces on a European scale was of necessity a long term objective, presenting many delicate problems and requiring "caution coupled with determination".

Atlantic Cooperation

Mr. Stikker said that the co-existence of the Atlantic Alliance and the Council of Europe might give rise to some new form of inter-governmental cooperation, making for Atlantic unity, and that the peoples of Europe had many reasons to be deeply grateful to the two great democracies of North America for their generous assistance, failing which a free and democratic Europe might now no longer exist.

In conclusion, the Chairman of the Committee of Ministers stated that European military expenditures were the inevitable consequence of "our failure to reach a common understanding with other nations on the globe to whom we feel we can only talk with confidence when backed up by sufficient strength", and that the moral force of a harmonious Europe could still win a peaceful vic-

tory over "those who are as yet unwilling to give priority to the power of reason over the weight of brutal force."

The first speaker on the topics under discussion was Mr. Suad Hayri Ürgüplü, Turkish Independent, who declared that the members of the Assembly were dissipating their energies on problems of only local interest instead of establishing cooperation in social, economic and industrial fields, such as in the distribution of raw materials and in transportation. It was Mr. Duncan Sandys, British Conservative, however, who seemed to set the pace for most of the speeches concerning Stikker's address, the Report of the Committee of Ministers, and the revision of the Statute. He started off by stating that for the first time he felt that the members of the Assembly were in a parliament and that if the practice, the tone, and the manner of such speeches as Mr. Stikker's were to become an example and a regular practice in Assembly affairs, the Assembly was set upon a journey which would produce constructive and fruitful results. With respect to the rejection by the Committee of Ministers of "the more far-reaching proposals for the reform of the Statute", Sandys expressed the opinion that there was very little likelihood that the Committee of Ministers would in the near future decide to reconsider their attitude, and that, therefore, it would be fruitless to reopen the discussion. He stressed the importance of constructive action and influence, which could best be brought about through the Specialized Authorities. The speaker placed great emphasis on the fact that the Governments were now submitting their policies and their actions in the whole field of intergovernmental activity in Europe for discussion and criticism in the Assembly.

Speaking as a Functionalist, Mr. Rolf F. Edberg, Swedish Social Democrat, remarked that whether the members of the Assembly called themselves Federalists or Functionalists, they must have a common desire to make the Assembly a strong and efficient body; asked if there was not a junction where the Federalists and the Functionalists could meet, "bury the hatchet", and start working together on building a better Europe; and said that he himself interpreted "the cautious observation" in the message from the Committee of Ministers as a request that the members try to find such a junction. Furthermore, if the members of the Assembly kept on discussing constitutional projects, they would only keep alive the controversies between Federalism and Functionalism and would thus proclaim the weakness of the Assembly; therefore, the Assembly should direct its efforts toward immediate and practical, but limited, tasks. He suggested three fields on which efforts should be concentrated: (1) coordination with the OEEC and emphasis on Specialized Authorities; (2) efforts, "even if gradual", toward a European customs union, and (3) a solution of the refugee problem in Europe.

In the afternoon Mlle. Klompé, Netherlands Catholic People's Party and *Rapporteur* of the General Affairs Committee, making a plea to end the friction between the Committee of Ministers and the Consultative Assembly and, recalling the decision made in August 1950 not to split the Council but to strengthen it through the setting up of Specialized Authorities, stated that in the majority opinion of the Committee on General Affairs it would be inefficient to take up the Assembly's time with another lengthy debate on the revision of the Statute and that the Assembly must proceed to practical work; however, she urged that the Assembly must insist on its recommendations, that the reform of the Statute must remain on the Assembly's agenda, and that the question should be taken up again when the Assembly considered the situation to be more favorable.

As reported in the telegram under reference, Mr. R.W.G. MacKay, British Socialist, disagreeing with various statements made by Mr. Stikker, insisted that the OEEC and the Brussels Treaty Organization be brought together under the Committee of Ministers, that the revision of the Statute be put on the agenda for the fall session, and that concrete conventions on currency and customs barriers be discussed and approved by the Assembly during the second half of the 1951 session. In addition, MacKay attacked the "long term view" so often advocated by Stikker and postponement of action by the Committee of Ministers; by implication, he commented that the Assembly was getting "lulled into a sense of complacency" by such things as Stikker's speech and was achieving very little in the eyes of the people of Western Europe; and he asserted that the Assembly was not even a consultative body, because it was never consulted on any problem at all. He said that the present difficulties were too great because of "the escapism of this Assembly", it being so much easier to discuss defense, on which nothing could be done, or the Schuman Plan, "which has come into being regardless of our existence and which would have been carried into being even if we had not existed"; that it was not an issue between Federalism and Functionalism, words which should no longer play a part in the language of the Assembly, but the plain fact that the governments of Europe were not prepared to say in advance that the Council of Europe could deal with three or more matters of importance to Europe; and that the major work of any parliament was legislation. In conclusion, MacKay asked that, in considering the agenda for next fall's session, the Standing Committee face the problem of changes in the Statute which would get the Assembly away from being a consultative body to being one that would make definite proposals, and that the Standing Commit-

tee also put on the agenda, not twenty-five items, but the two items of customs barriers and European currency.

Monsieur Marius Moutet, French Socialist, voiced the opinion that the Assembly would have to remain consultative, since it was the Governments which eventually made the decisions; that the Assembly now believed that theoretical discussions on amendments to the Statute were somewhat useless and unrealistic; and that, however, the Assembly still had the initiative of taking up such projects as Specialized Authorities for Agriculture and Transportation and the lowering of customs tariffs.

Getting away from the subjects under discussion, Monsieuer Henri Rolin, Belgian Socialist, read a motion on the question of property ownership in connection with the Convention of Human Rights, which motion had been put forward by him as Document No. AS(3)25 (Consulate's despatch No. 381, May 8, 1951). (This motion is scheduled to be discussed during the present session.)

Following the line already taken by other speakers, Mr. Gulek, Turkish Delegate, asserted that what the Assembly needed was not sensational achievements but positive steps, not too much bureaucracy or too much talk, but definite achievements; that more success was possible in the economic field than in any other; that if the OEEC and the Council of Europe were integrated the Council of Europe would have a permanent economic organization with a political background; and that any action taken by the Council of Europe on the question of defense might form a link between those countries which are members of the Atlantic Pact and others which are not. Gulek pointedly asked why certain countries, among them Turkey, were not invited to the meeting of certain countries at Paris in March for the discussion of the creation of a European army.

Mr. Van der Goes van Naters, Netherlands Labor Party, advocated the adoption of the La Malfa proposal for a definition of the consultative powers of the Assembly and the MacKay proposal for an amendment to the Statute, the implementation of which would require the presence at all of the Assembly's debates of representatives of the Committee of Ministers.

Mr. Herman Smitt Ingebretsen, Norwegian Conservative, referring to MacKay's speech, said that two of the questions most difficult of solution were those of customs barriers and a European currency; and he suggested that the Assembly pay attention to such "small things" as a European postage stamp and the abolition of visas since definite accomplishment in such minor fields would appeal to and inspire the common man and thus make him a supporter of the Council of Europe, which would render the Council far stronger than would any changes in the Statute.

Mr. H. L. d'A. Hopkinson, British Conservative, expressed the British Functionalist point of view in stating that he was quite certain that the people of Great Britain would "not have tolerated a progress in our affairs here one inch faster than our rate of accomplishment up to date." In addition, Hopkinson declared that the admission of Germany as a member of the Council of Europe had brought Germany from the position of an outcast, with no rights or outside contacts, to the status of a respected friend and partner in this and other international organizations; he asked whether the Member Governments had explained to the Parliaments of the British Commonwealth Governments the importance of the Assembly's invitation to them to send observers to the present session of the Assembly, in view of the fact that there was not one Commonwealth observer present; and he urged the Assembly to encourage the morale and to build up the courage of those people living behind the Iron Curtain, expressing regret that there was no suggestion in the Report of the Committee of Ministers for joint action in the propaganda field.

Mr. P.J.S. Serrarens, Netherlands Catholic People's Party, said that it was vital for the Consultative Assembly and the Committee of Ministers to cooperate closely and that the Assembly should take no action that would estrange the member governments of the Council of Europe; he hoped that the British and the Scandinavians could be drawn into the Specialized Authorities.

On the morning of May 8 Mr. Stefano Jacini, Italian Christian Democrat, expressed "Italian satisfaction" at the tone of Mr. Stikker's speech, stating that it indicated the change in atmosphere between the legislative and executive powers which had taken place in the last two years. He added that the Assembly now had more scope for thought and action, even if it was still only an advisory body, and that nothing would be achieved by hastening its natural process of evolution to a state of authority.

Mr. Constantin Tsaldaris, Greek People's Party, observed that people were now getting discouraged with the Council of Europe and that the Ministers' rejection of the Assembly's proposed reforms of the Statute was regrettable, but that the unity of the Council of Europe must at all costs be safeguarded and that "the flames of difference between the Assembly and the Committee of Ministers should not be fanned."

In thanking Mr. Stikker for having devoted so much space to the question of the creation of closer links between the Council of Europe and the Brussels Treaty Organization in their consideration of social and cultural problems, Mr. Victor Larock, Belgian Socialist, said that the cultural provisions of the Brussels Treaty should be extended to all members of the Council of Europe, that the

"idea of Europe" was at present only holding its ground, and that in some countries there was an apparent renaissance of narrow nationalism, which could only be defeated by intellectual weapons.

Although remarking that the revolutionary vitality of the Assembly of 1949 had noticeably diminshed, since people were now thinking more of survival than of European unity, Mr. Grégoire Kassimatis, Greek Liberal Venizeliste, made a plea that, instead of asking for immediate reforms of the Statute, the Assembly attempt to organize its consultative functions and take a detailed interest in the work of the Specialized Authorities.

At the conclusion of the talk of Mr. Kassimatis, President Spaak said that there were no more speakers on the report from the Committee of Ministers and that the Assembly would now proceed to discuss the report from the OEEC. However, subsequent speakers have continued to refer to the report of the Committee of Ministers, although the debate is now centering on the OEEC report, the proposal of Mr. Edelman for the establishment of a Joint Atlantic Resources and Purchasing Board and the report of the Committee on Economic Questions on Full Employment.

GEORGE D. ANDREWS

No. 10

740.5/5-951

Memorandum by Herbert W. Hill of the Division of European Affairs to the Assistant Secretary of State for European Affairs (Perkins)

[WASHINGTON,] May 9, 1951.

M. Paul Reynaud is sponsoring a resolution Friday in the Assembly of the Council of Europe inviting Congress to send representatives to the fall session, to observe and to discuss problems of the Atlantic area. [1] This is partly the result of communications from Senator Gillette. [2] While it is not directly a proposal of Atlantic

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[1] Reynaud's resolution was unanimously adopted by the Consultative Assembly of the Council of Europe on May 12.

[2] Reference is to a letter sent by Senator Guy M. Gillette to various European leaders on January 24, 1951, "calling for exploration of the possibilities of forming an Atlantic Union." Senator Gillette enclosed a copy of Senate Concurrent Resolution 56 entitled "Strengthening of UN and its Development Into a World Federation," which, Gillette explained, had been originally introduced in both Houses of Congress on July 26, 1949 and had been reintroduced "in the present Congress." The resolution was first introduced by Senator Tobey and is printed in *Congressional Record*, vol. 95, p. 10143. It was subsequently reintroduced on September 1, 1950 by

Continued

Union, it is undoubtedly regarded as a possible step in that direction.

The latest Departmental statement on Atlantic Union is in a letter to Senator Connally of April 6, [3] in which it "considers Congressional examination as an appropriate and practical way of discovering the extent of existing possibilities as well as difficulties. The communication addressed by Senator Gillette on behalf of the sponsors of the resolution (Atlantic Union) to the Parliamentary bodies of certain other countries may prove helpful to this end."

The Reynaud proposal is in line with this statement. Further, the Department should not antagonize this group in Congress, as it did a year ago.

Position: The Department of State has consistently supported every practical device for securing closer cooperation among the free nations of the North Atlantic community. It regards Congressional examination of proposals for Atlantic Union as an appropriate and practical way of discovering the extent of existing possibilities as well as difficulties. The Department of State would not offer any objections to sending Congressional representatives to participate as observers in meetings of the Council of Europe. Such a decision properly belongs to Congress itself. The Department believes, however, that discussion of the problems of the Atlantic community is needed both in Congress and by the people who would have to decide the issue of union, and this proposal will form a point for such discussion. It believes that direct contact between Congressional representatives and European parliamentary representatives should serve several useful purposes, including the development of a better understanding of mutual problems and the opportunity to explore the advantages of closer unity and to examine the obstacles.

Insofar as the Department may be called upon for advice on the proposal it would offer the following observations:

1. The Council of Europe is still an unproven instrument of effective international cooperation. Those who see this proposal as a way to secure closer Atlantic Union should consider whether the Council is an appropriate instrument, especially since the Council is a European body with a European orientation.
2. Significant cooperation between the United States and the United Nations is already being achieved through existing international organizations such as NATO and the experience being

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Senator Kefauver. (*Ibid.*, vol. 96, p. 14047) Gillette stated that he was sending his letter at the request of Kefauver, "and, I believe, with the concurrence of the other co-sponsors." Among the co-sponsors, whom Gillette listed at the close of his letter, were Senators Aiken, Flanders, Fulbright, Humphrey, Kilgore, McClellan, Murray, and Nixon. Gillette's letter was included as "Tab 2" to the source text.

[3] Not found in Department of State files.

gained may provide a basis for closer unity in the future. Whether or not a stronger organization may eventually be needed the Department would object at present to any development which might weaken the effectiveness of existing organizations. U.S. participation in the Council of Europe would not necessarily have any such result.

3. In view of the current Congressional and public controversy over European relations, the utility of any proposal to extend the area of collaboration with Europe must be carefully weighed. The proposal to send US observers to the Council of Europe would not represent a major departure from existing US policy, but the significance of such a step might be exaggerated both by its friends and its foes. False hopes might be aroused among the proponents of cooperation, which the Council of Europe is inadequate to fulfill. Also, the die-hard isolationists would probably denounce the proposal as a first step toward the surrender of US sovereignty. This might confuse open and forthright discussion of the advantages and disadvantages of Atlantic Union itself and possibly cause the true issues to be buried by an elaborate discussion of subsidiary issues.

If the Reynaud proposal is to have any value for the US it must be made perfectly clear that the US is not joining the Council of Europe, or considering it, but that Congress is sending representatives to talk with representatives of European parliaments about the problems of the North Atlantic. Moreover, the Council of Europe is a limited body and it is worth remembering that it lacks legal authority and the power to represent governments in international negotiations.

No. 11

Editorial Note

The substance of Hill's memorandum of May 9 was communicated by Perkins to Acheson in a memorandum of May 16 containing recommendations of points to be made in a discussion of the Atlantic Pact and Atlantic unity scheduled for May 17 with Senator Gillette, Justice Roberts, Will Clayton, and others. Perkins observed, *inter alia*, that Senator Gillette and the others "may want support for the resolution of the Council of Europe Assembly passed May 12. This resolution invites Congress to select representatives to discuss common problems with the Assembly this fall. It is based in part on a letter from Senator Gillette to European leaders of January 24." (740.5/5-1651) No record of the conversation between Secretary Acheson and the group headed by Senator Gillette has been found in Department of State files.

On June 28, Senators Gillette and Alexander Smith of New Jersey introduced Senate Resolution 36 proposing that a Congres-

sional delegation meet with a similar group from the Council of Europe's Consultative Assembly in accordance with the Assembly's May 12 resolution. (*Congressional Record*, volume 97, page 7300) But while in Paris on July 12, Gillette and Smith cautioned representatives of the Assembly that passage of the resolution was far from certain and that it would have to overcome two principal objections: "(1) that Council of Eur was strictly European, and US shld not interfere; and (2) that US shld not appear take on additional responsibilities." In response the Assembly representatives "insisted desire was not have Americans assume any burdens properly belonging to Council." Senator Gillette also informed the Secretary-General of the Council of Europe, Jacques Camille Paris, that a recent proposal by Lord Layton following a trip to Washington that the Council's Secretariat open an office in Washington was "distinctly premature". (Telegram 480 from Paris, July 23, 740.00/7-2351)

On August 6, Ambassador Bruce in Paris reported in telegram 829 that the Embassy had been informed by Sforza, special assistant to Jacques Camille Paris, that Paris expected to accompany Paul-Henri Spaak and three other delegates from the Council Assembly to Washington at the end of August or early September in order to arrange an agenda for the proposed meeting of the Assembly delegates with the Congressional delegation. Bruce added that, according to Sforza, Spaak had already written about the matter to Vice President Alben Barkley, the Speaker of the House, and the Chairmen of the Senate Foreign Relations and House Foreign Affairs Committees. The Ambassador also stated that it was his understanding that the proposed meeting, if accepted by Congress, would not take place during the autumn Assembly session but immediately prior to it in order to meet Congressional desires. "On other hand, assembly del, although empowered accept meeting in Wash, will press for holding meeting in Strasbourg. Council Europe circles feel that meeting in Wash wld give impression that Strasbourg del making trip to beg some additional favors from US and that this wld have unfortunate repercussions in European opinion." In conclusion, Bruce said that he "fully" concurred with the Department of State belief that a rejection of the Council of Europe's invitation to Congress would have "unfortunate consequences" and he added that plans for the proposed joint meeting were receiving increased attention in Europe. (740.00/8-651)

Spaak and Lord Layton subsequently met in Washington with members of the Senate and House on September 17 concerning the Council of Europe invitation. See the memorandum by Hill, Document 26.

No. 12

840.20/5–2951: Circular airgram

The Secretary of State to Certain Diplomatic Offices [1]

CONFIDENTIAL WASHINGTON, May 29, 1951—8:20 a.m.

Subject: French Agricultural Pool Proposal [2]

The revised agreed position of the United States Government regarding the agricultural pool follows. The paper, with background discussion, as it was finally approved, [3] was airmailed on May 25.

1. In dealing with this proposal, United States representatives should have in mind the fact that the relative inefficiency of many branches of European agriculture have proven a major stumbling block to raising Europe's living standards and that national policies for protecting agriculture are impeding further progress toward economic integration in Western Europe. Accordingly, the United States representatives in dealing with this problem should encourage the European countries to continue their efforts to develop a constructive solution for these problems, including (a) improving marketing and production techniques, (b) providing some degree of security for agricultural producers, (c) reducing or eliminating national barriers to the movement and sale of agricultural products.

2. The United States position is that a plan along the lines so far proposed by the French, although assertedly proposed to meet the problems set out in paragraph 1 above, would not be an effective or desirable means of achieving these objectives. Based on the summary and analysis below, it appears that the substantive provisions of both the Council of Europe proposal and of the French technical memorandum in their present form would result in clear disadvantages for nonpool members and no real assurances of net advantages for the pool countries as a whole in the first three stages of the plan, during which the principal effect of the plan would be to increase the degree of protection for member countries and to raise prices in the pool market. In fact, there is a real possibility of net disadvantage for the pool countries as a group in the first three stages. Furthermore, there is no firm commitment for the merger of European national markets (the fourth stage), which is to be achieved only at some indefinite future date. In general, the plan seems to be concerned principally with the organization of Europe-

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[1] The source text does not indicate to which posts this airgram was sent.

[2] Reference is to the Charpentier proposal discussed in despatch 294 from Strasbourg, Document 4.

[3] Not printed.

an markets to avoid surpluses and, at least initially, to avoid competitive marketing. It is the United States view that one of the basic problems of European agriculture is the improvement of production and marketing techniques and that any proposal should devote more attention to this problem.

3. While the present French plans as embodied in the Council of Europe paper and the technical memorandum are not satisfactory, constructive cooperation among European nations in the field of agriculture would appear feasible and desirable and should be encouraged. At this stage, the United States should not urge resort by the Europeans to any specific channel. However, the attention of the Europeans may be called to the possibility that the Food and Agriculture Organization and the Food and Agriculture Committee of OEEC could be of special assistance in analyzing European agricultural problems and in developing constructive proposals in line with the objectives suggested in paragraph 1 above. The prospect for a successful meeting would be enhanced if the experience of these two groups could be utilized. It would appear desirable, therefore, to arrange the conference at a time which would permit the delegates to have before them the advice of these bodies.

4. The position set out above should be communicated informally to the appropriate French officials in response to their previous request for the United States reaction to their plan, and to officials of any other government in any approach on the subject. The general tenor of United States comments to the French and other foreign officials should be such as would contribute to the achievement of a constructive solution of European agricultural problems.

ACHESON

No. 13

ECA message files, FRC 53A278, Paris: Telegram

The United States Special Representative in Europe (Katz) to the Administrator for Economic Cooperation (Foster)

SECRET PRIORITY PARIS, June 9, 1951—5 p.m.

Repto 2705. Ref (a) Torep 2711. [1] (b) Repto 2038. [2] (c) Torep 3773. [3] (d) Torep A–1582. [4] Subject: EPU 1951/52.

(A). In light interchange reftels (a) (b) (c) believe we are in agreement with you on fundamentals. Accordingly in view pressure time, we plan inform managing board at its June 13 session (probably on June 15) our views re financing EPU 51/52, and provision for interim arrangements. Believe we should present general position as follows. (Note remarks in parenthesis intended as interpretation or for specific ECA/W answer.)

(B). Lines of statement.

1. US prepared finance structural imbalance 51/52 Greece, Turkey, Austria, Iceland, by providing ECA dollars up to certain amounts to enable settlement deficits with EPU. Greece and Austria clearly unable assume repayable credit liability to EPU, and provision for Iceland and Turkey governed by special considerations.

Would inform MB our tentative estimates of possible lump amount required as indicated Congressional presentation. (Pls indicate whether any objection to citing present estimates for confidential use MB only at this time.) Form financing structural imbalance dealt with below para 5.

2. Other possible cases e.g. Neth, Nor, possibly Ger, Den, should be dealt with if and when need arises via other resources available EPU or PC's. To extent this takes place within framework agreed policy review and program, procedure would strengthen influence MB re policies such countries. (Pls confirm our understanding *aide-mémoire* to Neth does not preclude adoption this position in case Neth.) Source financing this second group deficits might be (1) temporary EPU credits backed by capital fund as in Ger case: (2) direct capital loans by stronger creditors to debtors, as in recent UK-Nor case; (3) loans by creditors to EPU to offset loans to debtors; (4) whatever other contributions PC's might make (as loans or grants) outside present quotas; (5) remaining part US special assistance fund carried over from 1950–1951 (Pls inform us your estimate this amount), and (6) right EPU debtors switch small amounts of ECA

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[1] Document 6.

[2] Document 8.

[3] Telegram Torep 3773, sent by Foster to Katz on June 5, reported that ECA Washington had reconsidered EPU arrangements in light of telegram Repto 2038 and other factors and was now planning to make major changes in Congressional presentation as outlined in Torep 2711. (ECA message files, FRC 53A278, Paris)

[4] Not printed.

direct aid to help cover EPU deficits, subject to availability free dollars and ECA approval each case.

Pls note all above sources may also be available finance countries cited para 1.

3. US not planning allot conditional aid or finance any other special arrangements to cover with ECA dollars excess creditor positions. (This means we do not contemplate any special UK arrangement, as indicated para 1 reftel (c). (We would express hope that strong creditors would find it possible to extend intra-Eur aid without receiving dollar compensation.) This position might generate pressure on UK, Belg and Swiss from Nor and Neth especially for such participation, but we are not sanguine about prospect, at least outside NATO burden sharing.)

4. With further ref measures for intra-Eur aid, US hopes and expects NATO study burden sharing will result in resource contribution by some Eur members NATO to others. Position preceding paras wld be subject to such later adjustments as may be required by burden sharing decisions. (We might point out that intra-Eur burden sharing contributions would probably be dealt with by separate technique, e.g. financial grants made bilaterally to conform to agreed multilateral pattern, and included in monthly notification to agent and hence entering multilateral EPU clearing.)

5. US desires achieve greater flexibility in financing EPU imbalances with ECA dollars and hence believes funds made available should be released periodically during year on basis performance and need; therefore technique for IP for full year allotted in advance through EPU as last year should be dropped. We will notify OEEC before June 30 our desire modify procedure and need for revision agreement accordingly. (Our views re techniques, release and application ECA funds discussed separate cable.)

6. In view need for planning and review purposes EPU managing board, as well as individual countries, US plans notify OEEC and individual countries of amounts of ECA intra-Eur aid to be programmed for 1951/52 for four special countries. (Such notification would take place after further review with countries by OSR and missions and after concurrence ECA/W.) Would also notify OEEC and countries actual use much ECA funds would be determined by availability funds as affected by Congressional authorizations and appropriations and exec allotments to ECA and by decisions ECA re needs countries from time to time.

7. Re interim arrangements countries quotas hitherto blocked (Greece, Austria, Iceland) or whose quotas may be exhausted in interim (Turkey), would propose following:

> (a) ECA hopes obtain piecemeal allotments funds pending final action Congress, from which it may be able help cover deficits such countries.
>
> (b) However, amounts and availability uncertain. Hence necessary OEEC countries provide some other underlying assurance continuation trade and payments in interim. Possibilities include (a) unblocking quota, or (b) blocking quota, but grant special EPU credit to be repaid as and when final arrangements made. Credit might also be secured by pledge to renounce temporarily equal amount country's share residual

assets EPU capital. US would give assurance that as and when funds available, it will cover cumulative deficits for reasonable amount (to be notified to countries and OEEC preferably for quarterly period).

(c) If you agree, we will proceed on above line at managing board meeting and if time permits will also discuss plan before mtg with UK, Neth, Belg, and secretariat.

(d) In later discussions with MB, believe may be desirable indicate our present estimates intra-Eur positions all countries, if MB feels such info would be useful to it in appraising effect payments trends on capital fund and convertible assets. Problem comes up also with FEB work and discussed with Cleveland here. Pls advise what info on illustrative estimates we can give FEB and MB and when. In meantime, appreciate being kept fully informed any changes in estimates.

(e) Re specific questions reftel (a) your para 7 answered by paras B–2 and B–3. Re ur para 9 my para B–5 above and forthcoming cable on techniques. Re "ultimate position" in para 9, we had intended generally imply US aid applied flexibly and not committed far in advance of actual need, but will avoid use of term hereafter.

(f) Cleveland concurs with above. [5]

KATZ

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[5] In early August, the Managing Board of the European Payments Union submitted its first annual report to the Organization for European Economic Cooperation. This report included a study of continuing problems of both a broad and a country-by-country nature and discussed at some length the deficit problems faced by Greece, Austria, Iceland, and Turkey and the growing deficit problems of Belgium. An extensive summary of this report is in Department of State Policy Report, *Current Economic Developments*, No. 318, August 13, 1951, Economic Affairs files, lot 70D467, "*Current Economic Developments*." Throughout the latter half of 1951, the concern of both the EPU and ECA became centered upon the problem of Belgium's growing deficit. Extensive documentation on this issue and on similar problems regarding Austria and Turkey is in ECA message files, FRC 53A278, Paris Repto and Paris Torep series.

No. 14

740.00/8-351: Circular airgram

The Secretary of State to Certain Diplomatic Offices [1]

CONFIDENTIAL WASHINGTON, August 3, 1951—6:30 p.m.

Subject: Present Attitude of Delegations to Consultative Assembly Council of Europe Regarding Its Future Work.

In an interview with Dana Adams Schmidt carried in the *New York Times* Monday, July 30, 1951, Edouard Bonnefous, president of the Foreign Affairs Commission of the French National Assembly and member of the French delegation to the Consultative Assembly of the Council of Europe, reportedly stated: "European unity is dead, and the European Assembly at Strasbourg is dead, too, and it is the British who killed them . . . [2] Under the circumstances the Consultative Assembly cannot accomplish anything. I won't go to Strasbourg any more and lots of other French political leaders won't go either, because there is nothing to be done there except talk. There is in any case no sanction to back up the Assembly's vote."

Although his statement should be considered in the context of the recent rejection of Bonnefous' draft for a European Transport Authority by the Committee of [*on*] Economic Questions of the Consultative Assembly, in the light of several new factors which appeared at the last session of the Consultative Assembly in May, 1951, the question arises whether this attitude may be in part reflective of a general attitude in the delegations to the Consultative Assembly.

Among these new factors were the atmosphere of uncertainty regarding its work and the absenteeism prevalent. Regarding absenteeism, many delegates did not come at all and others left after participating briefly in the early debates. For example, no regular member of the Irish delegation attended. Bidault, Mollet and Churchill were not there. For the Italians, French, and Irish the forthcoming elections at home were a major contributing factor. Interwoven with these factors of absenteeism and uncertainty was the fact that it had become clear before the last session that the Council of Europe would not develop into a European federation in the near future as many of its supporters so ardently desired. Therefore, the fact that certain federalist delegates have in the

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[1] Drafted by Lenora B. Preston of EUR/RA. Sent to all Embassies in Western Europe, the Legations in Luxembourg and Iceland, the Consulate at Strasbourg, and Frankfurt.

[2] Ellipsis in the source text.

past taken an "all or nothing" approach, stating that the Consultative Assembly has the alternative of becoming a "true European Parliament" or dying may assume increased importance.

The Department is concerned whether the defeatist attitude characterizing Bonnefous' statement may be widespread enough either to endanger the future work of the Council of Europe or to create an unfavorable impression on any delegation from Congress which may meet with representatives of the Consultative Assembly, if the concurrent resolutions, presently under consideration in Congress in response to the Assembly invitation are passed. [3]

The Department requests information on (1) present attitude of the country delegations to Consultative Assembly of Council of Europe toward attendance at the October session: (2) the views of the delegations on the future work of the Consultative Assembly. We would also appreciate an evaluation of the implications of such attitudes for the future of the Council of Europe as a whole, if the information available is sufficient to make proper evaluation, and any further comments which the Mission feels pertinent.

ACHESON

[3] See the memorandum by Hill, Document 10.

No. 15

Editorial Note

Vice Consul H. Stewart Beers responded to the circular airgram of August 3 in despatch 49 from Strasbourg, August 9. He said that the attitude of Edouard Bonnefous "is considered here to be nothing more than the result of personal animosity." Beers reported that officials of the Secretariat at Strasbourg claimed that the Bonnefous Proposal for a European Transport Authority "was ghost written, and that Bonnefous was primarily interested in furthering his personal ambitions when he urged its adoption". (740.00/8-951) In despatch 850 from London, August 14, Attaché Margaret Joy Tibbetts reported that British attitudes toward the Council of Europe had not changed appreciably in the past year and that the majority of British delegates of both parties "remain skeptical of the Assembly's ability to exercise responsibility" and they remained cautious toward deeper British involvement. Individual delegates such as R. W. G. MacKay, continued to be enthusiastic in their support of the Assembly principle, "but the majority of British delegates are pessimistic about the Assembly's prospects." Tibbetts concluded that "an influential Labour Party contact" had

stated that British interest in and support of the Council of Europe might well be strengthened if the relationship between the Council and the United States could be developed. (740.00/8–1451) In telegram 115 from Bonn, August 16, McCloy reported that the general attitude of the German delegation toward the forthcoming autumn session of the Consultative Assembly was one of hope with strong intent to achieve progress and that defeatism was not prevalent, nor was the expectation of absenteeism. (740.00/8–1651) Counselor of Embassy Outerbridge Horsey reported from Rome on September 6 in despatch 557 that many Italian delegates to the Consultative Assembly "have voiced increasing disappointment that the Assembly has failed to make any real progress towards European federation. It is generally felt this has been due to British obstructionist tactics and to Scandinavian aloofness, as a result of British influence." However the Italians had not given up hope in the Assembly's future and the Italian Government and especially Count Sforza were continuing to support and sponsor the institution. (740.00/9–651) On October 11, Bruce informed the Department in despatch 1012 from Paris that other French delegates to the Assembly "share to some degree the discouragement over accomplishments of the Council, and particularly of the Assembly, expressed by Edouard Bonnefous. The Embassy has not, however, encountered anything like the same vehemence of expression in talking with other French representatives, who certainly have no intention of giving up the Council of Europe as a lost cause or of boycotting the coming session of its Assembly." Bruce added that French delegates had been particularly frustrated by the limitations imposed on the Assembly by the Statute of the Council and by "the refusal of the British Government not merely to participate in a federation but even to participate in any 'functional' institution possessing a supranational authority." (740.00/10–1151) Despatches from The Hague of August 14, Athens of August 18, Reykjavik of August 16, and Copenhagen of August 23 in response to the Department's circular airgram of August 3 are in file 740.00.

No. 16

ECA message files, FRC 53A278, Paris: Telegram

The Deputy United States Special Representative in Europe (Wood) to the Administrator for Economic Cooperation (Foster) [1]

SECRET PARIS, August 7, 1951—9 p.m.

Repto 3875. Washington for Foster, Bissell and Porter; pass Dept for Perkins and Cabot. Limit distribution. Ref: (a) Repto 3411 to Wash, rptd London Repto 710, Heidelberg Repto 36, (b) Repto 3622 sent eyes only Wash for Foster and Katz. [2]

1. On evening August 5, Stikker told me he had discussed problem described reftels informally with ministers at Strasbourg. Marjolin called on August 6 to fill in details.

2. According to their report, ministers at Strasbourg generally accepted analysis of problem and need for European leaders bring about constructive orientation European thinking concerning defense program. In session, it was agreed effort shld be made prepare a positive statement to be issued by appropriate ministerial group. Such statement wld affirm imperative need for rearmament, econ strength of Europe, great potential for increase in European production and productivity, and capacity Europe to handle rearmament without serious impairment current standard of living. Statement wld go on point out that after initial period capital build-up in armament, increased productive capacity Europe wld be turned to renewed progress in standard of living. The tone wld be positive emphasis on Europe's strength and potential, and on European capacity both to build up its defenses and go forward to a promising future.

3. It was also agreed that secretariat OEEC on informal basis shld undertake prepare draft such statement. Marjolin plans constitute informal working group OEEC officials and secretariat for this purpose. Their work will be based upon draft described in reftel (b), a copy of which previously sent ECA/W. [3] Hope it wld be issue at meeting of ministers toward end of Aug.

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[1] Repeated to London for Spofford and Batt, Heidelberg for Handy, and the Embassy in France for Bruce, Schuyler, and MacArthur.

[2] Not found in ECA message files. Telegram Repto 3411 from Katz to Foster, July 16, reported on the recent efforts of OEEC Council Chairman Dirk U. Stikker to end the "apathy and uneasiness" which "seemed to persist in many quarters in Europe." Katz reported on a recent dinner at Paris arranged by Stikker with various European statesmen and Katz in attendance in which after much discussion it was agreed that the defense buildup and the increasing economic strength of Europe went together and were mutually necessary and that Stikker should enlist the aid of Robert Marjolin in attempting to develop a proposed course of action. (ECA message files FRC 53A278, Paris) For text of this telegram, see vol. III, Part 1, p. 219.

[3] Not found in Department of State or ECA message files.

4. There was considerable discussion at Strasbourg as to channel thru which statement might be issued. Choice was among NATO, OEEC, Council of Europe, and *ad hoc* group of ministers. According Stikker and Marjolin, general inclination at Strasbourg was toward proclamation by European group either OEEC, Council of Europe or *ad hoc* group ministers. Principal reason this preference appears to have been feeling that desirable emphasis this an initiative by European leadership. It also appears to have been some feeling that such reaffirmation by body like OEEC might carry more weight with ordinary Europeans than NATO precisely because OEEC in past identified with econ recovery.

5. Marjolin requested my views on draft describing reftel (b). I commented to fol effect:

(a) Statement affirmed need rearmament to protect peace and freedom of West and fact that rearmament consistent with long-range recovery and statement might well add that rearmament actually necessary to lasting recovery as only antidote to fear which fundamentally impedes European recovery.

(b) I again raised question which Wood have [*had*] previously raised with Marjolin concerning desirability identifying Soviet aggression as cause of fear and need for rearmament, and

(c) I suggested form and style rather pedestrian. Marjolin accepted the suggestion in (a) and also readily agreed need improve form of statement so as to give it greater tightness, firmness and color. As to suggestion in (b) he doubted practicability of statement was to be issued thru OEEC or other European group of similar scope. After some discussion, I suggested possibility two statements. First statement might be by European group along lines described above. Second might be statement by NATO council of Ministers, endorsing previous proclamation and more fully developing underlying political facts and implications. Marjolin thought this might well meet ready acceptance among European ministers.

6. Marjolin asked whether a US observer could be provided to sit with working group in preparation of statement. Stikker and he both felt clear indication US support necessary to success.

7. Wood and I will of course continue give general encouragement this initiative. In view possible pace of developments, however, situation may be anticipated in which more definite expression of US views may be expected or even specifically requested. Unless you feel it inadvisable, we wld plan make an observer available to sit with working group. In addition, we request views concerning: (a) form and content of statement, and (b) preference concerning channel thru which statement wld be issued, with particular reference possibility two statements as indicated para 5 above.

WOOD

No. 17

740.00/8-951: Telegram

The Ambassador in France (Bruce) to the Department of State [1]

SECRET PARIS, August 9, 1951—9 p.m.

923. Both Council of Eur and French FonOff officials have informed Emb that most important aspect ninth session Council of Eur Com of Ministers (Strasbourg 10, August 3, Paris 1) [2] was meeting afternoon August 3 after official agenda already dealt with and dinner party that evening with most FonMins present. Chancellor Adenauer came to Strasbourg exclusively for these informal discussions, having left handling of regular agenda to Hallstein.

At afternoon meeting initiative for discussion was taken by UK FonMin Morrison, who began by reading prepared statement on Eur econ sitn. Important part of this statement and subsequent discussion was devoted to necessity increase productivity in Eur.

Serious consideration was given to proposal that Com of Ministers shld hold special meeting toward end of August or even meeting that wld take form simultaneous meeting of Council of Eur Com of Mins and Council of Mins of OEEC. Purpose of this wld be to give dramatic announcement and send-off to Eur productivity campaign. How this matter now being pursued was not known to Embs informant, but he pointed out that Com of Mins meeting at which Morrison introduced subject had been preceded by meeting of UK FonMin with Schuman, Lange as chairman Com of Mins, Stikker as Pres of Council of OEEC, Marjolin, SecGen of OEEC, and Hall-Patch, head of Brit del to OEEC.

Also at afternoon meeting, Adenauer declared that he wld not raise Saar question since he had not had time to study tripartite reply to his letter of May 29 [3] which had been delivered only that morning by HICOM. It was clear however, that Adenauer expected raise Saar question when Com of Mins held similar meeting in conjunction future session. FonOff official understood that what Adenauer had in mind was not secondary issue such as alleged violation by Saar Govt of Eur human rights convention (Strasbourg 22 August 6, rptd Paris 2 [3]) but whole issue of Saar's present and future status.

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[1] Repeated to all NATO capitals, Ankara, Athens, Frankfurt, and Strasbourg.

[2] Telegram 10 was a confidential report from Bruce on the final meeting of the Council of Europe's Committee of Ministers. (740.00/8-351)

[3] Not printed.

At dinner (as already reported Oslo 146 August 8, [4] rptd Paris 21, London 26, Copenhagen 4, Frankfort 7) Adenauer made full statement concerning Ger problem and position, according FonOff official. He emphasized Sov objective of gaining control over united Ger and strengthened position of French and Ital CP's if this shld eventuate. High ranking officer of Brit Emb has informed us Morrison so irritated by Adenauer's criticism of policies occupying powers that he almost left dinner party. There was apparently no real discussion fol Adenauer's presentation.

Both Council of Eur secretariat and FonOff distinctly encouraged by fact that Com of Mins sessions have become forum for consideration of major Eur problems. Such meeting originally proposed by former Irish FonMin MacBride and seconded by Schuman. Original idea was such that such meetings might be held at times when formal Council of Eur agenda not under consideration, but practice initiated this month of special meetings in conjunction with regular sessions of Com of Mins appears more practical and satisfactory to FonOff.

BRUCE

[4] Not printed.

No. 18

740.5/8-1451 Telegram

The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State [1]

TOP SECRET LONDON, August 14, 1951—5 p.m.

Depto 198. Toisa.

1. We have followed with greatest interest development of Eur Manifesto described in Repto 3411 July 16 [2] and Repto 3875 Aug 7 [3] (Paris pls rpt to London Repto 3622 referred to in Repto 3875). We urge that every encouragement be given to development of this statement along optimistic and constructive lines, and share view that it shld be identified to maximum extent possible with Eur leadership in order to have more effective impact upon Eur peoples and in order to give Eur leaders sense of self-confidence and responsibility. Assuming statement turns out as hoped, subsequent endorsement by NATO Council seems highly appropriate and desirable method of linking statement with NATO objectives. Especially in view of impending presentation in NATO of overall costing data

[1] Repeated to Paris and Heidelberg.

[2] Not printed, but see footnote 2, Document 16.

[3] Document 16.

and US assessment MTDP gap, believe we must take every opportunity to cultivate buoyant and hopeful Eur attitude toward possibilities of raising Eur productive strength and capacity to sustain defense burdens.

2. One of most important short-term advantages of issuance of such a statement, which emphasizes need for earliest action thereon, is boost which it would give to tone and substance of interim FEB report. If latter were to be developed along lines Roll draft outline, it wld sharply contrast with Eur Manifesto of character we hope for and wld scarcely provide basis for supporting statement by NAC. Furthermore it wld tend to place on NATO onus of defending oppressive rearmament burdens, while authors of Eur Manifesto wld appear as champions of Eur living standards and "normal" civilian economies. Realize that OSR is seeking to steer FEB interim report along lines set forth in Torep 5540 Aug 3 rptd Heidelberg as Ecato 10, and Repto 3787, Aug 2, [4] and we will take any opportunities which offer themselves here to lend support to this effort.

3. In this connection, have just recd letter from Van Zeeland dated July 26 (full text by air pouch) reporting ministerial meeting in Paris on July 12 and 13 (see Repto 3411, July 16 rptd Heidelberg Repto 36). He reports that he and many of his associates felt that there shld be "gen examination of econ and fin situation" at next council mtg, believing that while "NATO does not necessarily have to resolve all these problems, it shld attack them and define them and use to maximum existing international organisms such as IMC and OEEC". Van Zeeland also recommends interim FEB report for next council mtg on "econ, and financial budgetary, and social problems which result from its recent studies" and advocates "permanent and fundamental liaison" between FEB and OEEC, with latter secretariat playing "most active part". Upon receipt guidance requested in final para Repto 3875, will reply to Van Zeeland seeking to forward objectives outlined above.

SPOFFORD

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[4] Neither printed. For documentation on the Financial and Economic Board of the North Atlantic Treaty Organization, see vol. III, Part 1, pp. 1 ff.

No. 19

ECA message files, FRC 53A278, Paris: Telegram

The Administrator for Economic Cooperation (Foster) to the United States Special Representative in Europe (Katz) [1]

SECRET WASHINGTON, August 16, 1951—6 p.m.

Torep 5932. Subject—Proposed European Statement. Reference—Repto 3622, [2] Repto 3875; [3] rptd London Repto 830 and Heidelberg Repto 43.

This is joint State/ECA cable. Torep 5863, [4] rptd London Ecato 1160 also concurred by State.

1. First step in campaign referred to in Torep 5863 might be statement by OEEC ministerial Council along general lines tightened Marjolin draft asserting determination through OEEC to evolve programs and introduce policies that would ensure realization of continued econ expansion as well as meeting increased security demands. Ministerial Council statement might be developed along lines of term program e.g. (6 years) to promote security and progress in Western Europe. Should be sufficiently dramatic to serve as rallying point, emphasizing economic progress attained to date and strength developed by Atlantic community on basis mutual efforts. These mutual efforts will be continued in interest making Western Europe a better and safer place to live for all its people.

2. Second step will be issuance of statement by OEEC adopting, justifying and substantiating Minister's declaration. This statement would contain well documented account of positive elements in post-war European econ trends and potentialities for continued economic expansion over period of time, say six years. If time permits

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[1] Drafted by Kaplan and Green of the ECA European Regional Staff and cleared by Martin of EUR/RA, Hopkinson of EPD, and Assistant ECA Administrator for International Security Affairs Halaby. Repeated to London for Spofford.

[2] Not printed.

[3] Document 16.

[4] Sent to Katz from Wood in Washington on August 14. Wood stated that State and ECA concurred in the urgency of formulating a statement along lines indicated in telegrams Repto 3622 and Repto 3875 and that both agencies also endorsed the comments made to Marjolin and Stikker reported in the reference telegrams. Wood then suggested "that a continuing dynamic campaign is required, positive in nature and stressing potentialities of cohesive action and feasibility of attaining constructive common goals. Rearmament and security represent an intermediate step toward ultimate goal of promoting freedom and well-being of Western Europe." Wood concluded by stating that State and ECA "Endorse suggestion that US observer sit with working group but he should make plain at outset that his participation intended only to demonstrate US support of European program." (ECA message files, FRC 53A278, Paris)

it should contain the specific programs, production targets, etc. The essential function of this document in the campaign would be the provision of an objective and authoritative basis for the adoption of the plan and continuing campaign.

3. The third step might be released by NATO Council Ministers after September meeting reaffirming OEEC and European ministerial statements and endorsing program in context progress of rearmament program, particularly emphasizing extent to which armed strength actually created as well as constructive aspects of North Atlantic Pact. NATO statement might also present basic facts regarding econ capabilities of Western Europe compared to Soviet bloc. Point to larger basic military potential which makes possible mobilization of forces adequate to assure successful defense against any possible aggression without imposing anything like sacrifices required by Communist countries to mount military effort of equivalent magnitude.

4. Ministers might agree at September meeting to make continuing series of individual statements along these lines and to use all information media of their countries to stress constructive and longer term aspects of European and Atlantic cooperative efforts.

5. Cannot over-emphasize importance of campaign remaining essentially European in origin and execution. US would, of course, continue reassert its determination to support efforts of Western Europe to promote security and welfare of their populations. However, if campaign is to impress European population as honest statement of possibilities, there should be no suggestion of US inspiration.

6. Our main criticism of Marjolin draft is that, as now drafted, it falls between two stools and is partly a declaration and partly a specific program. Another principal criticism, of which I am sure you are keenly aware, is the fact that it tends to underplay the impact of the rearmament effort, see for example last sentence, para 4, page 4 which refers to "momentary" difficulties caused by rearmament.

7. Since manifesto may be published during appropriation hearings most important that its optimism should be tied to US aid as well as European potentialities. [5]

FOSTER

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[5] During the last 2 weeks in August, the OEEC Council of Ministers concentrated upon drafting the European Manifesto, which seems to have been based upon Marjolin's original memorandum reported in telegram Repto 856, Document 2. Further documentation concerning the drafting and revision of the Manifesto is in the telegram series from Paris for the ECA (Repto) in ECA message files, FRC 53A278, Paris.

No. 20

ECA message files, FRC 53A278, Paris Telegram

The Acting Administrator for Economic Cooperation (Wood) to the Assistant Administrator for Programs, ECA (Porter), at Paris [1]

SECRET WASHINGTON, August 25, 1951—9 p.m.

Torep 6240. Subject—European Manifesto.

1. Recognize difficulty rephrasing manifesto in light of various PC attitudes, but remain most unhappy that statement not more positive and purposeful with strong popular appeal that would warrant enthusiastic official support here and abroad.

2. The big hole in document is that it does not really express a program for future. It is very easy to rely on rapid increase in productivity as salvation of Europe. Real problem is to provide the increased productivity.

3. Major economic objective of early OEEC program—particularly as it was influenced by U.S.—was the single market. The manifesto makes only one weak reference to need for continued trade liberalization, and apparently Brit object even to that. While would not argue that we should continue the single market objective in exactly the form of our early policy recommendations, certainly think the whole concept should be kept alive with appropriate modifications to meet present circumstances. Major weaknesses which concern us are:

a. It does not create an atmosphere of high priority for unity in Europe along lines of Eisenhower speech of July 3 in London. [2]

b. It does not underscore real progress that had been made towards economic unity in Europe, with particular references to such worthwhile achievements as Managing Board of EPU.

c. It does not stress that now is opportunity of this era for Europe to smash remaining protectionist barriers to intra-European trade.

d. It does not proclaim boldly other things which have to be done, e.g., specific steps to solve the coal problem, so as to overpower opposition of special interests.

e. It does not propose concrete action program to whatever extent is possible in view of Brit opposition.

4. Are troubled by idea of greeting OEEC manifesto with enthusiastic response from Washington when these basic weaknesses not

[1] Drafted by McCullough of F&TP and Green of AAPM.

[2] Reference is to an address made by the Supreme Allied Commander Europe, before the English-Speaking Union at London on July 3, printed in Department of State *Bulletin*, July 30, 1951, pp. 163-165.

corrected. Is it your judgment that anything effective can be done to improve statement along above lines before it is finalized?

5. This tel. not cleared with State due to time element.

WOOD

No. 21

ECA message files, FRC 53A278, Paris Telegram

The Assistant Administrator for Programs, ECA (Porter) to the Acting Administrator for Economic Cooperation (Wood)

SECRET PRIORITY PARIS, August 27, 1951—5 p.m.

Repto 4229. Ref Torep 6240. [1]

1. Believe manifesto is better than is indicated in your appraisal and that it justifies response proposed in our suggested statement by the President.

2. We, of course, wld like to see more inspiring document which wld affirm more strongly need for and progress toward Eur unity and wld present more sharply defined action program. We have pushed toward this end in our talks with delegations. Stikker will have dinner with me Tuesday and I shall use occasion to state again US views. I also expect to talk to Gaitskell before Council meeting. I believe it is unrealistic, however, to expect any substantial modification of manifesto along lines you indicate since I believe this is about as far as British are willing to go at this time.

3. Blaisdell and Lindeman went to London last week and accompanied by Batt had talks at highest official levels in Cabinet, office, Treasury and Defense Dept and made some progress in obtaining more positive and cooperative approach by Brit.

It is unfortunate that preparation of statement has coincided with absence of many ministers on holiday. However, I doubt that even if ministers had been readily available, fundamental policy decision looking toward European unity wld have been made in time to be reflected in this document.

4. I believe approach to coal problem proposed in Repto 4077 [2] is more meaningful than attempt to define in this document specific steps to raise coal production. There is much hard work yet to be done before Brit and Gers especially can be induced to take these steps.

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[1] *Supra.*

[2] Document 71.

5. I wld greatly appreciate knowing Tuesday before I see Dr. Stikker what indication can give him concerning the American response. [3]

PORTER

[3] In priority telegram Torep 6279 to Paris, August 27, Foster informed Porter that "After discussion here believe separate statements Manifesto should be issued by Acheson and Foster morning August 30. Will cable tomorrow text Foster statement based on modification your draft." (ECA message files, FRC 53A278, Paris)

No. 22

ECA message files, FRC 53A278, Paris: Telegram

The Assistant Administrator for Programs, ECA (Porter), to the Administrator for Economic Cooperation (Foster) [1]

SECRET PRIORITY PARIS, August 28, 1951—5 p.m.

Repto 4243. For Foster, Wood and Bissell. Dept for Perkins and Cabot. Reference: Repto 4219, [2] London Repto 888, Repna 22, Heidelberg Repto 49.

1. Long meeting Monday night lasting until 2:30 a.m. of OEEC delegation heads for discussion presumably near-final text European declaration.

2. Late instructions from Gaitskell produced major problems. United Kingdom pressed for insertion at five different places references to extent to which expansion in UK depended upon outside forces such as terms of trade, availability raw materials, foreign financial developments. Strong support received from Sweden with further assistance of Norway and Denmark.

3. French led opposition supported by Italians and to minor extent by Germans. French took position of inability to accept proposed British changes. Modifications in text if accepted will make document less vital than last draft sent you. While some language was left for Secretariat to polish, major decisions were left to meeting of Ministers Wednesday.

4. Agreed no advance arrangements to be made for publicity in view of uncertainty ability to achieve satisfactory document. Presumption still in agreement will be reached for some statement to be released Wednesday afternoon.

[1] Repeated priority to London for Batt and Spofford, priority to Heidelberg for Handy; passed to the Embassy in France for Bruce and to SHAPE for Schuyler.

[2] Not printed.

5. We still believe probable our original proposal for response by US will be suitable but impossible predict outcome of Council meeting particularly in view of almost jittery position United Kingdom.

PORTER

No. 23

ECA message files, FRC 53A278, Paris: Telegram

The Assistant Administrator for Programs, ECA (Porter), to the Administrator for Economic Cooperation (Foster) [1]

RESTRICTED PARIS, August 29, 1951—10 p.m.

Repto circ 115. At meeting of Mins OEEC August 29 agreed on fol draft declaration. [2] Note this will not be released to press until 10 o'clock, August 30 Paris time.

"1. We have examined the demands upon the European economy arising from the needs which are uppermost in the minds of our peoples at this time; namely, ensuring the individual or collective security of our countries and developing their economic strength and well-being. We are convinced that these demands can be met through our individual and joint action provided that the govts and peoples make the great productive effort required and that any serious difficulties arising from external economic relations can be overcome by cooperation with other countries. We believe both these conditions can be fulfilled.

2. The govts agree that the broad objective of their policies will be to expand total production in Western Europe by 25 percent over the next five years. By this large increase in production, improvement in living standards and further social progress can in the course of this period be achieved while meeting defense requirements. The govts acting in the spirit of the convention for European Economic Cooperation will work together to take such steps in common as are necessary to attain this objective.

3. Conditions from country to country may vary, but an expansion of this size is well within the power of the European economy as a whole through the effective use of its resources. The member countries have met tasks as difficult in the past. By the hard work of their peoples and with the generous help of the US, they realized a 25 percent increase of production in the last three years alone.

4. Europe possesses great natural resources, a large industrial potential, a skilled and ample labor force, and a capacity to achieve rapid technical progress. The full mobilization of these resources requires foresight, resolution, a cooperative effort, and the pursuit

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[1] Also sent to Paris for SHAPE and to Heidelberg.

[2] This declaration should be compared with the memorandum circulated to the OEEC by Marjolin in February as reported in telegram Repto 856, Document 2.

of policies based on social justice. The govts are convinced that such policies are essential in order to preserve the gains already made and to realize continued progress. Social justice demands a distribution of burdens and benefits that will promote the well-being of the less favored sections of the community.

5. At first in many countries the increase in production will have to be devoted largely to strengthening their defenses as well as to expanding exports to meet the higher cost of imports. But progressively a growing surplus will be available to raise supplies of consumer's goods, build more houses, and increase the contribution of European industrial countries to the equipment of underdeveloped countries and territories.

6. Thus by bold action to expand production, the future can be faced without the fear either that economic betterment must be indefinitely postponed or that a slump will follow the defense expansion. There can be confidence that the present need for restraint is temporary. Industry can be assured that, after the period of rapidly rising defense expenditure, the needs to be met will be such that no part of the capacity created will be left unused. Workers in industry and agriculture can make their contribution to increasing production with assurance of continuous employment.

7. To achieve general econ expansion at the rate desired, steps must be taken and conditions fulfilled which are described below.

Part II.

8. Govts will, as quickly as possible, take steps with a view to arriving in common at objectives for the production increases to be achieved in the fields of coal, steel, electricity, and agriculture. Steps will also be taken to determine objectives in the field of housing and immigration of workers.

9. Shortages in the supplies of coal, electricity and steel are a threat to general industrial expansion.

Coal production has not increased sufficiently to meet the ever growing needs of industrial and civil consumers at home and abroad. Europe must find the way to dispense with costly imports of American coal, to safeguard industry against interruptions in production and to supply the coal required for household use. Demands for electric power are rapidly growing. Increased output of coal and power shld be supplemented by their more efficient use.

To strengthen their defenses, build more houses, and develop their industrial and agricultural equipment the member countries must have more steel. This requires increased production of coke and ferrous ores.

10. There must also be increases in the output of other scarce materials such, for example, as non-ferrous ores, and a fair distribution of available supplies between countries. To this end, the cooperation of other govts through existing international organizations will be necessary.

11. More food must be grown, primarily by using more efficient methods. In particular, to get more meat and dairy products, the production of animal feeding stuffs must be increased.

12. In housing, the shortages are acute and in some areas appalling. More houses are needed especially where opportunities for work exist for those who are unemployed elsewhere.

13. In a few European countries unemployment has not yet been eliminated and vigorous action is required to remedy the sitn. In Western Germany there are still about one million unemployed, in Italy some two million, not counting partial unemployment. This means great hardship and considerable waste. The unemployed in Germany can probably be absorbed through internal economic expansion, but in Italy the dominant role must be played by emigration. The existence of large numbers of refugees in Germany, Turkey and Greece also creates a serious problem. Continued cooperation among member govts is needed for the alleviation of these problems, but the cooperation of other govts is essential for its full solution.

Part III.

14. Increasing productivity is the most essential element in expanding production. Great progress can be made by the maintenance of a high standard of efficiency of labor and management and by a real contribution from all sections of the community. Continued extension and modernization of equipment contributes to this progress, but apart from additional investment, productivity can be increased by appropriate production methods and techniques.

15. Inflationary rises in prices must be curbed since inflation jeopardizes the expansion of production, hampers the defense efforts of the various countries and causes great social injustices. Each govt must be responsible for securing a balance between the tools and services available internally and the various demands in the market for them. To achieve this the right fiscal and monetary policies must be pursued; these policies must be inspired by the principle of equitable sharing of burdens. But stability of prices can not be achieved by national action alone. Domestic prices are also influenced by external factors. Cooperation therefore is essential not only among member govts but also with other govts, to introduce a greater measure of stability in raw material prices and enable infiation to be held in check.

16. To most member countries their financial reactions with other countries are still a matter of concern and in the case of certain countries the stability of their balance of payments has been gravely threatened by the recent sharp rise in the prices of their imports as compared with exports. It is vital therefore that the efforts being made through international action to introduce a greater measure of stability in raw material prices shld succeed. Increasing production by the full use of human and material resources and the control of inflation will bring nearer the time when all European countries will be in a position to pay their way without outside assistance. To this end it is essential that their export drive shld continue, and that like-minded countries shld foster conditions which favor its success. In order to assist the expansion of production and to obtain the most effective use of European economic resources, member countries will continue their efforts to reduce ob-

stacles to trade, and to develop their cooperation within the framework of the European Payments Union.

17. The industrial countries of Western Europe have in the past worked with the peoples of under-developed countries where considerable investment is necessary in order to expand their productive capacity; they have continued to do so in the postwar period despite their own recovery needs. It is intended that future economic expansion in Europe will contribute to the further expansion of under-developed areas.

18. The member govts are determined to further the objectives set out in this declaration by their individual as well as their joint efforts. They will be guided by its principles in the other international organizations to which they may belong.

19. In setting new tasks for European cooperation member govts recognize their inter-dependence with countries which share their aspirations and aims. A unity of objectives and a spirit of cooperation with these other countries will continue to be a guide to policy and a condition of success.

20. Confident in the future of Europe and in the capacity of its people to meet the challenging demands of the times, the govts pledge themselves to work together in fulfilling the policies outlined in this declaration and call upon all sections of the community to play their part." [3]

PORTER

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[3] In a memorandum of August 30, drafted by Miriam Camp, Assistant Secretary of State for European Affairs, George Perkins reminded Secretary Acheson that the OEEC Council had issued its Manifesto to the press that morning and added that Stikker, OSR, and Spofford had all urged that this statement be warmly welcomed by the United States. It was first suggested that the President might welcome the Manifesto, Perkins continued, but after consideration, "we and the ECA have concluded it would be better for you and Mr. Foster to issue statements." Suggested statements for Acheson's and Foster's approval were enclosed. (850.33/8-3051) Acheson issued a brief statement welcoming the Manifesto on August 30; it is printed in Department of State *Bulletin*, September 24, 1951, p. 487. Foster's statement was released in telegram Repto circular 116, August 30, *infra*.

No. 24

ECA message files, FRC 53A278, Paris Telegram

The Assistant Administrator for Programs, ECA (Porter), to the Administrator for Economic Cooperation (Foster) [1]

PLAIN PRIORITY PARIS, August 30, 1951.

Repto circ 116. Text Foster statement OEEC manifesto for release 0100 hours GMT August 31 follows:

"The August 30 declaration by the European Ministers is a heartening and stimulating development. It reflects the mounting confidence and determination of the free nations of Europe to do what is needed to safeguard peace and freedom. It demonstrates that the European Ministers, while aware of the difficulties and problems ahead, will act positively to solve them now rather than let them become road blocks to future progress.

I am not surprised at the hopeful and determined mood which it expresses. The high level of recovery which the European nations have achieved with the aid of the Marshall Plan has laid a foundation of economic strength on which they may build sound defenses against aggression and, in the near future, improve the living standards of all.

The Ministers have stressed the great economic potential of Europe. They have correctly identified the real answer to many of Europe's difficulties—to expand production and to increase productivity. They have courageously set for themselves an ambitious and concrete production deal, to expand their total production output by 25 percent in the next 5 years.

The effort to increase production rapidly in Europe depends of course on major further progress toward economic unification and the pooling of European resources. The crippling effects on production of national trade barriers and cartels need to be eliminated if our European friends, by moving in the direction of a single market, are to achieve the goals they have set for themselves.

We are particularly glad to see the statement issued by the countries which have signed the Schuman Plan Treaty. Their view that increased production will be furthered through economic integra-

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[1] The source text does not indicate to which European missions this telegram was sent. In telegram Repto circular 117, August 30, sent to ECA/Washington, Heidelberg, and Paris for SHAPE, Porter reported that the OEEC Manifesto was of great "informational potential" and deserved maximum publicity and public attention. But he cautioned that the European initiative and European origin of the document "must not be compromised by Amer label on publicity." Therefore, "We suggest you offer local govt fullest assistance and take advantage this opportunity to spur them to active and adequate publicity effort. Mission chief may wish to issue public statement of reaction and this highly desirable as appropriate follow-up publicity." (ECA message files, FRC 53A278, Paris)

tion of Europe is an indication of the very real appreciation the Europeans have of the course of action that must be followed. This statement adds strength to the policy declaration of the OEEC Council.

We welcome these European initiatives. We will look forward to working with the European governments in translating the broad goals set forth in their declaration into concrete plans of action."

PORTER

No. 25

Editorial Note

On September 14, the Foreign Ministers of France, the United Kingdom, and the United States, meeting in Washington, issued a statement in support of European unity. For text of this statement, see volume III, Part 1, page 1306.

No. 26

740.5 9–1751

Memorandum by Herbert W. Hill of the Office of European Affairs to the Director of the Office of European Regional Affairs (Martin) [1]

SECRET [WASHINGTON,] September 17, 195[illegible].

Subject: Council of Europe Invitation.

The two subcommittees of Senate and House met with M. Spaak and Lord Layton. [2] The agreed on agenda was to hold "a discussion on the Union of Europe, its progress, problems, prospects and place in the western world". The meeting is to be at Strasbourg, November 19, to last 4 to 6 days.

The agenda was made brief in order to avoid the controversial, to confine the discussion if possible to the areas of agreement, and on the part of several in Congress to push European integration as much as they could.

The subcommittees were to report the results to their committees. The Senate Foreign Relations Committee did hear the report today and reached no decision, unfortunately. Senators Connally and George opposed the resolution as entangling the U.S. Senator

[1] Copy to Miriam Camp.

[2] The background to this meeting is discussed in Document 11.

Green followed along. Senators Lodge, McMahon and Fulbright favored acceptance. Action was put off till a meeting later this week.

This information is reliable but is off the record. I think that the Department ought to push this more than it has done so far, and that some missionary work on Senator Green is in order. We have gone too far to back out now, and so has Congress. [3]

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[3] A handwritten notation at the bottom of the source text reads: "Ben Brown tells me they are working on something along this line." On October 18, the House of Representatives agreed to Senate Resolution 36 proposing a meeting between a Congressional delegation and a similar group from the Consultative Assembly of the Council of Europe. The Senate agreed to Resolution 36 the following day. (*Congressional Record*, vol. 97, pp. 13477, 13500)

No. 27

851.00/10-2951: Telegram

The Acting United States Special Representative in Europe (Riddleberger) to the Acting Administrator for Economic Cooperation (Bissell)

SECRET PRIORITY PARIS, October 29, 1951—1 p.m.

Repto 5428. Personal for Harriman, Bissell and Porter, from Tasca and Gordon. Tasca met Saturday afternoon with Hall Patch, Chairman of Executive Committee OEEC, and Sperienburg, Chairman of Council at official level. Both officials stated time had come to put real steam behind OEEC manifesto. Under procedures agreed by Council, OEEC will set up high level working parties on coal, steel, electric power, as well as agriculture and manpower. Housing will await Secretariat study. Procedure for manpower is under discussion.

Hall-Patch would like to get really high level people on working party on coal, steel and power. He and Sperienburg are most anxious to have top level Americans participate. Examples would be Clarence Randall on steel, Robert Koenig on coal, Walter [*Walker*] Cisler on power.

High level working parties are to report to vertical country committees by November 25 for comment and council December 15.

Strongly urge cooperation with OEEC on this matter. If you agree, US experts should come as soon as possible to Paris. [Tasca and Gordon.]

RIDDLEBERGER

No. 28

ECA message files, FRC 53A278, Paris Telegram

The Acting Administrator for Economic Cooperation (Bissell) to the Acting United States Special Representative in Europe (Porter) [1]

SECRET PRIORITY WASHINGTON, October 30, 1951—9:13 p.m.

Torep 8159. Reference—Repto 5428. [2] Limit distribution to Tasca and Gordon.

1. Most encouraging to see OEEC deciding put real steam behind its manifesto. We most desirous cooperating every possible way. In order do so however would be most desirable if we could be advised terms of reference proposed committees, their composition, and expected contribution from US participants. Will European participants consist of people with political responsibility rather than technicians, which we believe necessary if effective results likely to ensue. If European representatives to have political responsibility can US make greatest contribution through technicians such as Randall, Koenig and Cisler or through high level administrative officials? If former, what would be relation these technicians to the three working parties?

2. We note housing still under Secretariat study and procedure for manpower still under discussion. Unclear as to status proposed working party on agriculture. Is it intended such working party be parallel and of same character as those for coal, steel, power, and if so what participation by US on either technical or administrative level is contemplated.

3. Will expedite necessary action immediately upon receipt reply to above.

BISSELL

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[1] Drafted by D.A. FitzGerald of the Office of the Assistant Administrator, ECA; cleared by Bissell.

[2] *Supra.*

No. 29

ECA message files, FRC 53A278, Paris: Telegram

The Acting United States Special Representative in Europe (Riddleberger) to the Acting Administrator for Economic Cooperation (Bissell)

SECRET PRIORITY PARIS, October 31, 1951—7 p.m.

Repto 5477. For Harriman, Bissell and Porter from Tasca and Gordon. Ref: Torep 8159; [1] Repto 5428; [2] airgram Repto circular A-708. [3] Full text decision OEEC council sent Washington via ref airgram. That plus reftel gives all info available present time. Character of European members will depend in part upon US selection. Role of Stikker in coal plus his two advisers for purpose of supplying political tone required. Steel and power require more high level technical appraisal. Would appear feasible to extend Stikker approach to steel and power on same basis as coal.

Do not understand reference to high level admin officials. Believe maximum impact US would be thru highly qualified people from industries concerned. Role of US participants would be to supply technical know-how at high level with particular reference to problems of expansion in sectors involved as well as to underline great US interest in development of concrete expansion targets. Incidentally believe that there should be high level labor participation at all stages. Cruikshank considering problem this end.

Determination of procedure for manpower clearly linked to arrangements made in other fields. In any case, feel further study necessary on our part to determine objectives and suitable procedures to realize objectives. OSR Labor Division currently studying this problem. Believe agriculture would be handled by ordinary vertical Food and Agriculture Comite of OEEC. Urge strongly that you proceed immed with respect to coal, steel and power as recommended Repto 5428. Separate comments will follow on manpower and agriculture. [Tasca and Gordon.] [4]

RIDDLEBERGER

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[1] *Supra.*

[2] Document 27.

[3] Not printed.

[4] No specific reply to telegram Repto 5477 has been found in Department of State or ECA message files. Riddleberger and Porter began sending detailed reports on the meetings of various OEEC committees and special working groups, for example, telegrams Repto 5502, November 1, Repto 5627, November 9, Repto 5734, November 16, and Repto 5738, November 16, in ECA message files, FRC 53A278, Paris.

No. 30

Editorial Note

The meeting between the United States Congressional delegation and the representatives from the Council of Europe was held in the Maison de l'Europe at Strasbourg November 19–23. The American delegation was composed of 14 members of the Senate and House of Representatives, viz., Senators McMahon, Hickenlooper, Benton, Green, Hendrickson, Humphrey, and Wiley and Representatives Cox, Ellsworth, Keating, O'Toole, Smith, Judd, and Reams. The 20-man delegation from the Council of Europe included 3 representatives each from the United Kingdom, France, Italy, and the Federal Republic of Germany; 2 from Belgium; and 1 each from Norway, Sweden, the Netherlands, the Irish Republic, Greece, and Turkey. Prior to the Strasbourg meeting, members of the American delegation, with the exception of Senator McMahon and Representatives Smith and Judd, visited Germany and Austria. (Telegram 381 from Bonn, November 14, 033.1100/11-1451) Further documentation on the visit of the Congressional delegation to Germany, Austria, and Strasbourg is in file 033.1100. The formal report of the Congressional delegation to the Strasbourg meeting, printed as Senate Document 90, is excerpted in *Documents on American Foreign Relations*, 1951, pages 538–546.

No. 31

740.00/11-1051: Telegram

The Ambassador in France (Bruce) to the Acting Secretary of State [1]

CONFIDENTIAL PARIS, November 10, 1951—2 p.m.

2785. Re London's 2256 [2] to Dept, 991 to Paris, Strasbourg 3. In discussion with Paris Secy Gen of Council of Europe, on Nov 9 Senator Green as leader US Congressional del mtg with Council of Europe Assembly del agreed in principle on breakdown of agenda for mtgs that was proposed by Assembly's officers November 3, except for change in title first item.

First item originally entitled "General Debate" has tentatively been given new title "Significance of the Mtg". This was American suggestion based on fear that "General Debate" might mean mis-

[1] Repeated to London and Strasbourg. Secretary Acheson departed by ship, October 25, for Paris (Sixth Session of the U.N. General Assembly) and Rome (Eighth Session of the North Atlantic Council). He returned on December 12.

[2] Not printed.

cellaneous debate. It is understood that this will be opportunity for discussion of general political framework for Europe, and that Europeans plan query exact significance of three FonMins Washington declaration Sept 14, with respect "continental European community" close association of UK with it and umbrella of Atlantic community. Congressional views as to timetable and membership envisaged when Congress included words "political federation" as one of our objectives for Europe in Mutual Security Act also likely to be raised.

Delegation has been briefed disinclination many continentals proceed with federation in which UK not a member.

Remaining four items of projected breakdown are fol: Political aspects of joint defense of Europe, economic aspects and affects of rearmament, dollar gap and trade between Eastern and Western Europe and refugees and immigration.

We understand that Reynaud and Finn Moe (if latter able to be present) will introduce first topic for European del and Green and Cox for US. Green and Cox are requesting each of their colleagues be prepared on one of remaining topics.

US group has not suggested any additional items for discussion.

Riddleberger, Political Advisor OSR is accompanying US delegation.

BRUCE

No. 32

740.00/11-2051: Telegram

The Consul at Strasbourg (Andrews) to the Acting Secretary of State [1]

CONFIDENTIAL STRASBOURG, November 20, 1951—midnight.

51. Although slow in getting underway debates now proceeding between congressional and Assembly dels are gaining momentum and showing promise along lines envisaged by Consultative Assembly. Initial hesitancy and reluctance congressional del arising from uncertainty as to purpose and scope of meetings was evidenced in del meeting held shortly after arrival at Strasbourg and at first sitting afternoon 19 but were largely dispelled by conf with Spaak, Layton and others and by speeches made yesterday afternoon by Spaak, Reynaud and Moe.

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[1] Repeated to all NATO missions except Ottawa and Lisbon, and to Vienna and Bonn. Pouched to missions in other countries who were members of the Council of Europe.

In first address afternoon 19 Green reiterated points made in press interview upon arrival at Strasbourg, namely that US deeply interested in European unity but US del not here to tell how it should be achieved and that US del would speak as individuals representing two polit parties and many shades of opinion in US. He cited terms of Mutual Security Act as encouragement econ unification and Polit Federation of Europe. Having given Benelux union, Schuman Plan, and European Army as evidences progress in Union of Europe, he said "if you cannot move forward on a broad front then I believe you should move salient by salient".

In forceful and frank enunciation of American viewpoint Rep Smith this morning expressed personal interest and that of US in "complete Federation of Europe". (He later explained in reply to question from Ital del Treves that he had expressed his personal views and that if ideal of complete unification could not be approached Amers hoped that "you will as quickly as possible attain that which is practicable.")

He suggested that Council Europe del give indication not only their own views but also official views their govts concerning European Union and also how US might help in encouraging Eur Federation. These suggestions have borne fruit in replies by Council Europe dels and specific endorsement by Reynaud Amer del entitled to know official attitudes. Ellsworth outlined personal views on practical Union of Europe urging early enactment in European countries of laws to carry out pledges made by European countries in accepting Marshall aid such as reduction trade and tariff barriers, obstacles to free movement of persons in Europe, etc.

In answer to Smith's request for expression official govt views Layton explained that UK as whole and regardless of party differences was unwilling to hand over its sovereignty to "untried Parliament" and quoting Green's "salient by salient" phrase asserted that UK was firmly determined to support European Union through functional approach. He said that the one thing that CE asked of US was understanding. In afternoon sitting Boothby stated that US alone could lend strength to a free democratic world. This assertion has been reiterated in other terms by several CE dels including Reynaud this afternoon who said that proof of European need of Amer encouragement for European unification could be found simply in varying and conflicting statements of opinion made at this meeting by such CE dels as Spaak, Boothby and Schmid. This afternoon McMahon made speech which was well received explaining US position re world peace, atomic weapons and disarmament.

ANDREWS

No. 33

740.00/11-2151: Telegram

The Consul at Strasbourg (Andrews) to the Acting Secretary of State [1]

SECRET STRASBOURG, November 21, 1951—midnight.

53. Notwithstanding apparently successful beginning meeting between Congressional and Assembly delegates reported Contel 51 [2] to Dept rptd 10 to Paris, London, Frankfort unn, several jarring notes have been struck by Congressional delegates. At private meeting Congressional del, just after arrival 18th Benton passed around so-called confidential document obtained "not through State Dept" purporting to give designs CE delegation on US involving further monetary contributions by US to Eur and expressed opinion that present affair was mainly propaganda stunt by CE. As result Keating questioned advisability accepting hospitality CE Secretariat in paying for hotel rooms but Cox set matter aright. In public morning session 20th Benton made excuses for inadequacy US dep resulting from alleged lack of briefing, prepared speeches and staff as contrasted with CE and also emphasized point that people in US are "distressed and perplexed" at lack of progress in Eur unity. Cox stressed "fact" that Amer delegation occupied "position more or less as observers and not, as I take it, full participants in meeting."

At lunch my house Judd said in presence Spaak and Layton that most of Amer del were unfamiliar with Eur and international affairs and that only two or three were competent reps for present debates and that several were isolationists at heart.

Although impatience US del over failure some form Eur union by now clearly indicated in most US speeches, no resentment thus far observed on part Eurs, some of whom have in fact remarked that Amers not blunt enough. However, Eur apologia expounded by Spaak and Layton at todays sitting.

ANDREWS

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[1] Repeated to all NATO missions except Ottawa and Lisbon, and to Bonn and Vienna. Pouched to missions in other countries who were members of the Council of Europe.

[2] *Supra.*

No. 34

740.00/11-2251 Telegram

The Consul at Strasbourg (Andrews) to the Acting Secretary of State [1]

CONFIDENTIAL STRASBOURG, November 22, 1951—midnight.

57. Ref Contel 51 to Dept., 10 to Paris. [2] In past two days conf bet USDel and CEDel has made great strides and has developed debates significant for frank but friendly expressions conflicting US and Eur viewpoints and also significant for their seriousness enthusiasm and originality. High caliber of speeches and interjections has been notable, particularly on American side. Eurs have relished rather than resented US prodding for quicker unification Eur. Success of conf attested to by comments not only by Eur dels Secretariat officials and other observers but also by US dels who at first seemed pessimistic re purpose and outcome of mtg. Speeches and statements of Humphrey and Judd have been particularly commended by Eurs. Importance of federation thirteen states and adoption constitution as an example and incentive to Eur has been overemphasized by Amer dels with result that European dels have dwelt at length on differences between two situations and difficulties confronting Eur union. Nevertheless Amer frankness of expression and freshness of ideas has contributed in large measure to success of conf.

After Reynaud's speech afternoon twentieth in reply to Smith's request Neth's del Van De Kieft, stated his govt's official view as initially federalist and later functionalist upon acceptance that approach by CE adding that altho he attached high value to sympathy and encouragement Schuman plan by UK he wld prefer actual support and collaboration and that Eur army cld be formed even without participation UK. As to what US cld do Neth's del asked for understanding and indication of Amer program after expiration Marshall aid. In forceful speech Judd stressed point that today Western Eur faced choice between union by voluntary federation and union by involuntary compulsion such as had happened in Eastern Eur and that question was not "whether" but "how" to federate Eur. Stating that altho unable to predict [Neth?] likely join any Western Eur Federation it wld not join such federation unless Great Britain at least belonged.

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[1] Repeated to all NATO missions except Ottawa and Lisbon, and to Vienna and Frankfurt.

[2] Document 32.

General debate on first item agenda concluded afternoon twentieth.

Morning 21st Brit Socialist Hall opened debate on "econ and social aspects of rearmament". Important points his speech were: Denial that purpose present mtg was for Eur obtain greater financial help from US than wld be otherwise obtained; that UK is allotting for defense 82 men per thousand as compared with 74 in US, that US can assist Eur by placing armament orders in Eur, by backing up Pres Truman's Point Four program, by ensuring equitable distribution and price stability of raw materials, by reducing Amer tariffs; that in return Eur cld increase production and supply certain key raw materials.

After asserting that US had by act and deed made itself at least morally a basic party to objectives Consultative Assembly Hendrickson urged Atlantic fed union as advocated by more than fourth of Senate and House.

In reply Cox asserted that it wld be wiser to fuse organizations into Council Eur than to set up new organizations to deal with world wide problems. Cox statement strongly supported by Boothby who added that two existing effective organizations (CD and NATO) shld ultimately be brought together.

In reply to Hall, Keating, Cox and Judd said that US cld and shld place orders for armaments in Eur.

In afternoon Benton expressed sympathy with Hall's points concerning the purchase armaments in Eur, Point Four program and raw materials but with regard reduction Amer tariffs attacked Eur restrictive trade practices and cartels.

In vigorous address Humphrey recognized Eur difficulties but made a strong plea for further Eur efforts. He commented that "sooner or later men such as are assembled here will have the wisdom to sign a declaration of interdependence. Either we come to that or we lose independence". Debate on econ aspects and effects rearmament closed and Wiley opened debate on "Pol aspects of Joint defense of Eur: essence his speech was that we need a positive ideal in defending ourselves against Communism. Debate was continued this morning and will be reported later along with debate on two other specific items: "Dollar gap; trade between Western and Eastern Eur" and "refugees and emigration". Tomorrow general debate will be resumed and it is hoped that business of conf will be finished tomorrow evening or Saturday morning.

ANDREWS

No. 35

740.00/11-2451 Telegram

The Consul at Strasbourg (Andrews) to the Acting Secretary of State [1]

SECRET STRASBOURG, November 24, 1951—4 p.m.

61. Ref Contel 53 [2] to Dept 20th. Benton and Keating told me this morning they hoped mtg between CE and Congressional dels would be yearly occurrence and that next year venue should be Washington (on floor assembly Humphrey stated his wish that present conf establish precedent); while former said passage enabling legislation should meet with little difficulty in Senate, latter said it might have harder going in House as evidenced by 74 opposition votes to participation mtg just ended. In Benton's opinion Congress would want to send del composed new members but he would support appointment four or five those who attended this mtg for sake of experience and continuity of ideas.

It is believed that majority Amer del view conf as success in that (1) it gave our del much needed insight into Eur Parliamentarians' ways of thinking, (2) it established valuable personal contacts and (3) it afforded US Congressmen unique opportunity to voice attitude Amer electorate through them individually and to express general disappointment in US over lack of progress thus far made not only by CE in unification Eur but also by West Eur in its failure to realize imminence of Sov threat and to utilize Amer aid to best advantage.

Quite apart from these general Congressional ideas re value of mtg, dels were unanimous in both public debates and private conversations in deprecating slowness of CE to take positive action for Eur unity and over-emphasis of CE dels on West Eur difficulties rather than opportunities. In fact unanimity manifested by US del in this and all other fields was in marked contrast to dissension among Eur dels which was present in debates and speeches. This contrast can be explained by obvious difference between a united US and a disunited West Eur, by the prior determination of US dels to present a united front expounded by individuals speaking for themselves and for their constituents, and by hasty but nonetheless effective briefing on the part of Emb and Dept advisers attached to del. Very little cleavage between Democrats and Republicans could be noted in their public presentation of ideas and in

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[1] Repeated to all NATO missions except Ottawa and Lisbon, and to Bonn and Vienna.

[2] Document 33.

vast majority cases US interjectors supported US speakers. On other hand divergencies among Eur nationalities and polit parties came to fore.

It would be futile now to attempt predict whether forthright and critical attitude US del will spur CE to action or will result in contrary discouragement and further split in CE.

Also this morning Benton and Keating expressed sentiment which I believe to be shared by majority other dels that it might be profitable for a senior Dept official to canvass Congressional dels individually after their return to Washington and get their impressions concerning Strasbourg mtg. Riddleberger concurs with me that this is good suggestion. [3]

ANDREWS

[3] There is no indication in Department of State files that this suggestion was followed through during the remainder of 1951.

No. 36

740.00/11-2451: Telegram

The Consul at Strasbourg (Andrews) to the Acting Secretary of State [1]

CONFIDENTIAL STRASBOURG, November 24, 1951—midnight.

63. Ref Contel 62, Dept 24th [2] concerning US and CE delegations. The four specific agenda items having been terminated 22nd, on following day general debate on Union of Europe was resumed and it proved to be most provocative and significant day of whole conference. Reynaud started debate by stating that as result present meeting Europeans had come to understand that US was rearming not to win a war but to prevent it; that European delegates had been able to reassure US delegates as to Europe's will to resist; that Amer criticism of Eur cartels had been largely justified; that Eur had not only received US aid but had also been able to learn US methods of achieving greater productivity; and that for poor man (i.e., in Eur) to give up half his bread ration was bigger sacrifice than for rich man (i.e., in US) to give up television sets. Reynaud has been criticized by Amers and Eurs alike for not appearing afternoon session.

[1] Repeated to all NATO missions except Ottawa and Lisbon, and to Bonn and Vienna.

[2] Not printed.

Following Amer speakers in no uncertain terms assailed Western Eur and CE for talking too much about Eur difficulties and offering them as alibis and for failure to unite in one or another manner: Keating, Smith, Cox, Benton, Judd, Ellsworth, McMahon, Wiley, Humphrey and Green. A salient feature of most Amer speeches was criticism of tax evasion in Eur as contrasted with tax payment in US and increased burden on US tax payer resulting from aid to Eur.

In an interjection Cox made this statement to speaker Finn Moe: "Somehow I feel a chill coming over this assembly. It must be apparent to the gentleman and his Eur colleagues that there is at the moment in development a fretful and vexed reaction to what the US del has witnessed here in the meetings during this week. It is not going to be a wholly encouraging story that the del can take back home. We came full of hope, and, while we are not leaving with that hope cast down, we are going away somewhat disappointed. It is apparent, to me at least, that this whole effort to realize the objective of the Council of Europe will be destroyed unless the chasm which seemingly exists as between the English group on the one hand (the countries associated with Great Brit) and the French group on the other hand (the countries associated with France) can be narrowed, and narrowed speedily." Use of word "chill" by Cox had impressive effect on Eur dels and word was in fact later used by several of them. Meanwhile there were several Eur speeches in rebuttal, those of Boothby, Hall and Gerstenmaier being able and forceful and those of Moe and Layton giving rise to pertinent questioning by Amers which was inadequately answered. Eur observers here deplored Moe's speech and answers because he underlined Eur difficulties and Layton's speech because of its length and confusion.

In the closing Amer speech, Green admitted US del's tendency not to appreciate difficulties which had beset Eur for fifty years and difficulty uninvaded and unbombed US comprehend impact of war. He mentioned tendency in debate of Eur Parliamentarians to underestimate sacrifices made by US in time of war and now in time of peace. He also referred to Eur tax evasion. He backed up previous statements his del by stating that there had been too much talk about difficulties instead of Eur planning for future. Green summed up his speech by stating that only justification for depression was that there did not seem to be general European appreciation of necessity for immediate action. He thereupon read declaration of Amer del, copy of which is being transmitted by despatch and substantive part of which reads as follows: "We agree however with expressions of deep regret that more realistic progress has not been made towards Eur Union, economic and po-

litical, and express the hope that the tendency may be overcome to emphasize the difficulties which stand in the way of economic and political integration, rather than the advantages that wld flow from such action."

Spaak was on the spot but his rebuttal speech concluding the conference was able, succinct, and diplomatic. He referred to three things to which US dels had attached importance but which surprised him: Trusts and cartels, nonpayment of taxes in Eur, and lowering of Eur customs barriers. In reply he wld state that US wld appear to be "land of cartels and trusts"; that taxes were heavy in Eur as well as in US but that evasion tax payment in Eur was by small minority only; and that US might well lower its own tariffs. Spaak explained that much of impression of confusion given by Eur dels had been due to their honesty since there had not been "prior consultations". Admitting that CE dels had perhaps insisted too much on Eur misfortunes Spaak remarked upon devastation caused in Eur by two wars and upon fact that unification Eur had been initiated on three years before and added that among CE's achievements were widening of its scope activities, possibility discuss any subject, human rights convention, Schuman Plan, and Eur Army plan. He asked that Amer dels not return US with thought that no progress was being made toward united Eur and he recognized Judd's suggestion that it was not enough for US to give unconditional aid but that in his (Spaak's) opinion US shld give more aid to those countries prepared to work for unity than to those who were not so prepared. [3]

Conference was closed at 7:15 p.m. 23rd. Subsequent despatches will amplify tels thus far sent. [4]

ANDREWS

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[3] In telegram 64 from Strasbourg, November 26, Minister of the Embassy in France Philip Bonsal reported that before the opening of the Consultative Assembly that day Secretary-General Jacques Camille Paris had informed him that "largely as a result beneficial work accomplished at Conference between Congressional and Assembly Delegations" there would probably emerge a recommendation for a conference of European political leaders, including government officials and parliamentarians for the purpose of drafting a plan for a new European political structure. (740.00/11-2651)

[4] See telegram 75 from Strasbourg, Document 38.

No. 37

740.00/11-2751: Telegram

The Consul at Strasbourg (Andrews) to the Acting Secretary of State [1]

SECRET STRASBOURG, November 27, 1951—7 p.m.

67. RefContels 64 and 66 26th. [2] Second part session Consultative Assembly opened afternoon 26th in atmosphere seriousness and apparent determination on part of dels to make worthwhile, practical and speedy contributions toward Eur Union. It seems that new life has been given Assembly by last week's conference and that frank US congressional criticisms of CE excuses and procrastination in unifying Eur have served far more as tonic than as discouragement to Assembly. This particularly true of Fr, Belgs, Itals, Gers; furthermore all Brit conservatives with whom we have talked have said conf with USDel should prove most beneficial to CE, one remarking "Amer frankness was just what CE needed."

Provisional plan of agenda order outlined by Spaak differs from that stated at press conf 26th (Contel 66). According Spaak report gen affs comite on aims and prospects Eur policy (AS)3(75) [3] and Layton's oral report on conf with US Congressional del would be discussed 27th and 28th only, fol which there would be debated further report on creation specialized auths (AS)3 (13), [4] report from special comite on agric (AS)3(4), [5] report on coordination Eur postal relations and telecommunications (AS)3 (54) [6] which would occupy Assembly until end present week. He expressed hope that several FonMins would be available to reply to debate on aims and prospects Eur policy when resumed as *rapporteur* GA comite Struye introduced his report which begins by stating that despite important debates and speeches of great interest Assembly has on whole in past three years confined its activity to voting on too many res and recommendations on which for most part no subsequent action has been taken. Then report contains these proposals: (1) fundamental revision of CE statute, which is subj of separate report; (2) unification or at least coordination activities Brussels treaty organization, OEEC and Consultative Assembly which soon might be faced with

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[1] Repeated to Bonn, London, Paris, Ankara, Athens, Brussels, Copenhagen, Dublin, The Hague, Luxembourg, Oslo, Reykjavik, Rome, Stockholm, Vienna, Ottawa, and Wellington.

[2] Neither printed.

[3] Enclosure to despatch 154 from Strasbourg, November 27. (740.00/11-2751)

[4] Enclosure to despatch 161 from Strasbourg, December 1. (740.00/12-151)

[5] Enclosure to despatch 160 from Strasbourg, November 30. (740.00/11-3051)

[6] Enclosure to despatch 165 from Strasbourg, December 5. (740.00/12-551)

new "assemblies" for Schuman auth and Eur Army; (3) request by Assembly that govts member states convene early in 1952 Eur conf of reps of govts, parliaments, CE, other Eur institutions and leading econ, trade union, employers and legal organizations for purpose studying changes and reorganization necessary in sphere Eur cooperation; and (4) creation of "college" of European Affairs Ministers which would meet regularly and often, would result in compulsory mutual consultation of govts concerned on all Eur problems at all stages their development and might be headed by joint high comm to represent Eur in international negots or in management some international institutions. Report emphasizes that existing differences opinion re methods creating polit union must not be allowed divert Assembly from immed task of seeking unite all member states in econ, fin and social fields; that joint def requires Amer aid and that cooperation between Eur and Amer is axiomatic (no member of GA comite having advocated "neutral" Eur third force); that comite was unable resolve differences between those advocating purely continental polit community composed France, Ital, FedRep and Benelux and those opposed creation West Eur Union without UK and Scandinavia; and that new and urgent appeals should be addressed to UK to join Eur army. Struye's speech was eloquent and closely followed by dels. He conjured up distress which would be felt by all who fought for freedom in two wars if our sons were in a Eur army which included former enemies but not former comrades in arms, the Brit.

In well prepared concise yet comprehensive speech friendly toward US Layton gave resume of conf between US and CE dels in which he underlined fol gen aspects Amer speeches: insistence on need for Eur unity and on wide extent prevalence this opinion in US; belief that present rate progress toward unification too slow; exhortation that Eur overcome tendency emphasize difficulties rather than advantages polit and econ integration of Eur; need for West Eur to bear in mind that one of features Amer policy as set forth in MSA of 1951 was to encourage econ unification and polit federation of Eur; keen interest of Amer public in prompt progress on Schuman plan and Eur Army; avoidance suggest precise steps to be taken for Eur unity in view position UK and Scandinavia; and failure Eurs to do utmost in econ field and to understand burden shouldered by US on behalf free world. Speaker stressed significance US dels suggestion that in future strings might be attached to Amer assistance if efforts unify Eur continued be unsuccessful, quoting Judd's words that "contribution US to common cause would be given more willingly, more promptly and perhaps in larger measure if all peoples Eur were to show growing sense unity and determination to carry it out". In closing Layton said that it

would be great mistake continue controversy in present session on detailed points, that "we should not be behaving very charitably if we pursued our friends with a series of sniping shots on their way home across the Atlantic" and that "the fresh breeze from the West which blew through this hall last week should stimulate us to fresh efforts and so justify the confidence of Pres Truman who expressed the opinion to me last June that a conf between the Parliaments of Eur and Amer could do nothing but good".

Afternoon session debate continued on GA comite report. Fr dels Mollet and Teitgen spoke earnestly and eloquently of possible avenues of development for CE. They appealed for closer Brit participation than they saw in tripartite Wash declaration Sept 14. Mollet approved calling Eur study conf above mentioned early 1952 on lines 1948 conf which led to formation CE. Its object would be to regroup and coordinate existing Eur organizations. Teitgen described dilemma of either a partial Eur without Brit and Scandinavia or present organization without power or sovereignty, which was merely vehicle to express public opinion. Problem of this session was to find the solution, possibly in College of Mins for Eur Affairs with some sovereign powers delegated to each Minister.

Minor speeches made by Neths del Van Der Goes, RPF Gen Koenig and Irish del Stanford. Latter made immature speech criticising Amer cultural weakness. Large part Assembly dels walked out on him. Other speakers referred to US interest in action now as incentive to decision.

Brit speakers scheduled for tomorrow's meeting including chairman Maxwell-Fyfe expected reply to Fr and Belgian pressure for clear indication Brit position.

ANDREWS

No. 38

740.00/12-151. Telegram

The Consul at Strasbourg (Andrews) to the Acting Secretary of State [1]

CONFIDENTIAL STRASBOURG, December 1, 1951—6 p.m.

75. Highlights of this week's Consultative Assembly discussions were as follows:

Visit of US Congressmen spurred Assembly to efforts to find acceptable method to unite Europe further. Net effect of their visit

[1] Repeated to all NATO missions except Lisbon, and to Bonn, Vienna, and Wellington.

was beneficial in focusing attention on need to advance. French and Belgians took initiative in calling for action to meet American suggestions. British official policy statement by Maxwell-Fyfe reiterated well-known Conservative as well as Socialist opposition to federation by rejecting it, but showed more cooperative attitude towards Schuman Plan. However, in view fact that Churchill was original proposer Eur Army concept before Assembly Aug 1950 [2] and that federalists hoped for change in UK attitude after his assumption power, Maxwell-Fyfe's failure promise actual Brit participation came as great disappointment. Effect to Brit statement was cold shower but helped clarify whole situation. Hence, Maxwell-Fyfe speech and Reynaud's reply constituted most dramatic event of week.

Because of continued UK and Scandinavian refusal participate in any form of Eur federation and because of reluctance thus far shown by many federalists to push "little Continental federation" (reluctance arising largely from fear of eventual German domination in such federation), Fr and Belgians redoubled their efforts to find some acceptable compromise which wld use functional approach but wld also serve ideas of federalists, to achieve greater unity. At end of week most promising proposals were Jacquet plan for specialized authorities in all vital factors in European life controlled by single parliament elected by universal suffrage and De Menthon-Teitgen amendment to statute setting up "high commissioners constituting executive council to deal with special subjects.

While some observers thought these proposals had good chance of acceptance, both Spaak and Layton expressed to us today doubts of any real progress toward European unity because of weight of opposition among delegates and lack of clear views of what degree and kind of unity they really wish to achieve. Spaak went further than Layton by saying that many delegates had no interest in the European idea and that present session cld be considered as failure unless at least Jacquet motion and Menthon-Teitgen amendment were approved.

ANDREWS

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[2] For documentation on the proposal by Winston Churchill for the establishment of a European army, see *Foreign Relations*, 1950, vol. III, pp. 767 ff.

No. 39

Camp files, lot 55D105

Memorandum by Senator Brien McMahon to the President [1]

[WASHINGTON,] December 5, 1951.

Subject: Mr. Churchill's Visit [2]

I take the liberty of sending you this memorandum because I have done some intense thinking about the coming Churchill visit, and because I think it quite possible that our "atomic bases" in Britain may figure prominently in Mr. Churchill's calculations.

In two recent speeches, you remember, he called attention to the existence of American air bases in Britain and indicated that, since these render his own country vulnerable to heavy retaliation from the Soviets in case of war, Britain should have a powerful voice as to the circumstances in which the United States would launch an atomic offensive. But I suspect that, in Mr. Churchill's mind, the bases in Britain mean much more—namely, that he need not come to America in any way as a petitioner and that, on the contrary, owing to the vital importance of the bases to us, he is in a strong position to argue that we must perforce furnish Britain with additional Marshall Plan funds, support Britain in the Suez dispute, etc. Such a suspicion on my part ties in with the fact that Mr. Churchill is bringing with him Lord Cherwell, his atomic expert; the fact that he opposes having an agenda for the British-American talks; and his suggestion that the many problems concerning our two countries be approached "in a broad sweep".

These comments lead me to set forth the soberly considered conclusions which I reached as a result of attending the recent Strasbourg Conference where, you recall, such topics as a European Army and European economic and political unity were thoroughly canvassed. It is a source of real regret to me, incidentally, that this Strasbourg Conference was not reported more extensively in our own newspapers, because I think that its impact upon the thinking of the seven Senators and the seven Representatives who attended will be felt throughout the next session of Congress.

You remember that Churchill was really the moving force in bringing about creation of the Council of Europe. In a very real

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[1] On December 11, the President sent a copy of this memorandum with a covering memorandum to Under Secretary of State James Webb. The President's covering memorandum reads: "Attached is copy of a memorandum from Brien McMahon regarding Winston Churchill's visit. It is an interesting document and I think deserves some consideration. HST"

[2] Prime Minister Winston Churchill of Great Britain was scheduled to visit Washington in January 1952.

sense, Churchill is also a prime mover in establishing the concept of an integrated European Army. Now it appears that Britain, with Churchill himself the newly-installed Prime Minister,[3] will not join the European Army—and of course it appears further that Churchill wants the Western Nations on the Continent to merge sovereignties, but wants Britain to stay out. Moreover, the Schuman Plan—it is an outgrowth of the Churchillian idea of a United Europe—is being, according to my information, secretly and subtly discouraged by the British. The reason why I refer to the European Army and the Schuman Plan is because I was deeply struck with the uncertain morale due to the deteriorating standards of living throughout the Continent, and which in turn are due to inflation.

I believe the situation is bad and may well get worse. There is a real possibility that DeGaulle will come to power in France in six or eight months and, in my opinion, if that should happen, he would be succeeded by the agents of the Kremlin. Repeatedly, my attention was focused upon the fact that Marshall Plan aid to Europe has unduly benefited the few industrialists—and that these industrialists so far as I can tell—and I have done my best to go deeply into the matter—still do everything within their power to hold down wages. I am fearful that we will ship guns to Europe, only to find that there are few except Communists or Communist sympathizers or neutralists behind the guns. We must certainly be careful that the guns we ship to Europe shall not be turned into the hands of the Communists because of failure on the economic front.

Paul Henri Spaak, the former Belgian Premier—and a first-rate man—told the Strasbourg Conference that America made a great mistake in not attaching conditions and stipulations to Marshall Plan aid. He indicated that the United States must henceforth virtually establish a system of rewards and punishments through economic help—in short, that we must give more aid where the European receiving country increases production, improves real wages, contributes heavily to the European Army, etc.; and that, conversely, we must give less aid where the receiving country follows the old policy of keeping production low, prices high, wages at a grinding minimum, etc.

I feel that Mr. Spaak is dead right. When the Marshall Plan was first discussed, we had a choice between avoiding conditions and, we hoped, avoiding accusations of intervening in the internal affairs of other countries or else attaching conditions, bearing the brunt of the accusations and also perhaps accomplishing more by

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[3] Winston Churchill had assumed the Prime Ministership as a result of the British general elections of October 25.

way of raising European living standards. We had a choice of two evils, and I suggest we chose the worst. Certainly we have been accused anyhow of interfering with the sovereignty of others, and thus we seem to have gotten the name without the game. (Quite conceivably the British Foreign Office was instrumental in selling us upon the idea of no conditions—since said office may have feared that otherwise we would compete with Britain for European markets.)

This is as far as I can remember the first criticism I have ever written of Britain in my life. I have been too conscious of the value of Britain to the security of the United States to be supercritical of these brave people.

As a result of my trip, I have become convinced that we should affirmatively and dynamically use our power, or else see Russia move in and take over. *It seems to me that we must either organize Europe ourselves or else run the severe risk of losing Europe altogether.* Needless to say, our power should be exerted wisely, judiciously, and humanely; but it must be *exerted*—that is my point.

Concerning Churchill's imminent visit, then, I suggest that we should insist upon Britain's showing greater support for the Schuman Plan, and also upon her sending at least two divisions into a European Army. Mr. Churchill says publicly that he is not coming over here to seek American funds. This is, of course, nonsense—he has no choice but to solicit more American money, and we have little choice except to give it to him. But we are entitled, I would suppose, to require absolutely that Britain contribute fully to the measures that are necessary to save Europe—and by this I mean, in part, British participation in the European Army and British support of the Schuman Plan to the extent of not sabotaging it.

I respect Mr. Churchill, but I feel definitely that it would be wise to have a definite agenda for your discussions with him, that is, listing items one, two and three and presenting them to him upon his arrival. This would further mean to me that, instead of the "broad-sweep" approach (in which our bases in Britain would loom as a dominant factor), we would get down to the solid necessity of Britain's contributing to the European Army.

Respectfully,

BRIEN MCMAHON

No. 40

740.00/12-1151: Telegram

The Consul at Strasbourg (Andrews) to the Acting Secretary of State [1]

CONFIDENTIAL STRASBOURG, December 11, 1951—7 p.m.

88. Contel 86, Dec 10. [2] Vague and gen tone FonMins speeches failed give impetus to Assembly hoped for in many quarters. UK and Scandinavian position obviously strengthened by Van Zeeland's advocacy of Comites Mins as proper polit authorities for Eur coal and steel community, EDC and other specialized authorities. In fact, Van Zeeland remarked privately yesterday that he had made his speech as "appeasement" to Brit.

On presumption debate aims and scope Eur policy *rapporteur* Struye introduced new report on behalf GenAffs comite AS(3)108 (Condesp 168, Dec 10) [2] containing three recommendations: (a) appointment by member states of European Affs Mins to meet regularly and frequently in "college" under authority FonMins to provide for "semipermanent consultation with aim of coordinating, in close association Commonwealth countries, external policy of member states"; (b) encouragement by comite Mins of rapid conclusion agreement between member states so disposed to institute a polit authority whose competence limited to def and fon affs "in which joint exercise of sovereignty is rendered nec by organization of Eur army and its use within framework Atlantic Pact" (this recommendation entitled "creation of polit community in spirit of Washington declaration"); (c) convening of European conf early 1952 under auspices CE. Struye explained his comite's reasons for noninclusion in report of Teitgen-Menthon, Felice, and Jacquet proposals.

Menthon criticized recommendation on Eur army in AS (3)108 as not precise enough. Brit Conserv Amery gave exposé UK attitude as one of unwillingness join federation but with no desire prevent others doing so; made this statement concerning Eur army: "Our conception was that there shld be natl formations merged into a single army under a single command, and that this command, and its civilian counterpart, wld have been responsible to a comite of Mins who, in their turn, wld have been subj to the democratic control of their respective parliaments"; and welcomed proposals for

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[1] Repeated to Paris, Brussels, London, Bonn, Rome, Ankara, Athens, Copenhagen, Dublin, The Hague, Luxembourg, Oslo, Reykjavik, Stockholm, Vienna, Ottawa, and Wellington.

[2] Not printed.

appointment EurAffs Mins and convening Eur conf. French RPF Triboulet gave wholehearted support Felice project,[3] stating CE must do something quickly or else look ridiculous in eyes of world. French MRP Teitgen made interjection stating French dels cld further CE cause in their voting on Schuman Plan Dec 11, whereupon Triboulet replied that Assembly wld detect note of natl politics in Teitgen's remark, adding that specialized authorities no good if not under polit institutions. Ital Bergman and German Becker supported Felice proposal.

In 5 hour night session ending 2:45 a.m. time-worn differences between functionalists and federalists came to fore and speakers reiterated opinions already made known at this and previous sessions Assembly, with scant regard for brevity or for relevance to recommendations under discussion. One of striking features debate was support by many speakers of British functionalist position and opposition to partial Eur federation, generally on ground that fed without UK was inadvisable; speeches in this sense made by Greeks Mercouris and Maccas, Irish Boland, Belg Larock, Dutch Van Naters and Klompe, Turk Ulek and of course Nor Svalen and Knudsen and Danish Boegholm. Speeches favoring partial fed made by French Reynaud and Ital Giacchero; former particularly anti-Brit this time in restating his opinions re original Churchill motions for Eur army as opposed in his mind to present UK position (Contel 68, Nov 28).[4] Reynaud also attacked Van Zeeland's speech alleging it was infused with Brit thesis.

Vote finally taken on Struye report: Recommendation (a) approved 74 ayes, 5 abstentions, and 22 noes, latter including all Brit socialists voting, all Ger socialists voting, 5 Swedish socialists and 2 Nor dels; recommendation (b) approved 60 ayes, 29 abstentions, 10 noes, latter consisting of all 7 Ger socialists voting and 3 Scandinavian dels; and substantive para in recommendation (c) on convening Eur conf disapproved 45 noes, 4 abstentions and 37 ayes. Rejection this para resulted largely from procedural tangle, late hour of night and gen befuddlement but rejection nevertheless stands.

Felice proposal AS(3)110 (Contels 71, Nov 30, and 82, Dec 6)[5] disapproved with 45 noes, 13 abstentions, and 41 ayes; Ital del voted overwhelmingly in favor; 7 Ger socialists opposed, remainder del in favor; French del split (Contel 75, Dec 1)[6] with RPF in favor and

[3] In despatch 178 from Strasbourg, December 15, Andrews identified the Felice project as a "Motion for a Recommendation for the Establishment of a European Federal Political Authority consisting of the six Schuman Plan countries". (740.00/12-1551)

[4] Not printed.

[5] Neither printed.

[6] Document 38.

socialists against and other parties divided; Brit Socialists voted against with exception one who abstained while Brit Conserv abstained with exception one voted against; Belg, Neths, Greek, Turk and Scandinavian dels against.

Morning sitting today taken up mainly with Spaak resignation from presidency and repercussions (Contel 89, Dec 11). [7] Minor recommendation AS(3)102 establishment a single European jurisdiction voted unanimously with two abstentions. Invitation to Austria become member CE in form request to CM AS(3)107 adopted unanimously. AS(3)101 on number and allocation seats in Assembly adopted without noes and with only 5 abstentions.

Assembly adopted first 14 arts new draft statute AS(3)105. Debate on Teitgen–Menthon amendment to new draft statute provoked heated day-long debate in which Spaak made speech reported Contel 89. In absence Menthon, Teitgen defined his proposal as framework within which specialized authorities cld be formed under aegis CE by two or more states signatory to convention and by which contact with nonparticipating states wld be assured. Teitgen stressed alleged timidity of Assembly as did other speakers and advocated amendment as definite advance altho not audacious and causing no inconvenience to Brit and Scandinavian non federalist opinion. Fol Spaak's dramatic support of Teitgen emotions ran high in Assembly and in addition UK opposition many federalists attacked amendment on ground it wld prevent Brit acceptance new statute. Benvenuti, ardent Ital fed, flatly declared united Eur cld not be created through CE and that no progress cld be achieved by revision statute. Teitgen in final def amendment endeavored refute different criticisms coming from all shades Assembly opinion and made appeal Brit dels to abstain. Amendment adopted in simple majority vote with 37 ayes, 34 noes, and 6 abstentions, all Brit dels present voting against. New draft statute as amended adopted with nec 2/3 majority: 61 ayes, 2 noes (Nasgard, Wells) and 16 abstentions. Economic comites request that study be made of coordination European econs with those overseas countries AS(3) 104 adopted unanimously. Debate on gen affs comite specialized authorities report AS(3) 103 postponed to next session.

Second half 1951 Consultative Assembly session ended about 6 p.m.

ANDREWS

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[7] *Infra.*

No. 41

740.00/12-1151: Telegram

The Consul at Strasbourg (Andrews) to the Acting Secretary of State [1]

CONFIDENTIAL STRASBOURG, December 11, 1951—7 p.m.

89. Ref Contel 87, Dec 11. [2] Translation text Spaak letter of resignation follows:

"For some time now, I have had feeling of nostalgia in presidential chair. More and more I have suffered from not being able to take an active part in our deliberations.

"In this matter events of yesterday have been decisive. I cannot in all conscience approve timid policy of Assembly.

"I have, therefore, decided to relinquish my functions which will permit me—at a moment which I consider to be very critical—to regain my entire freedom of action and to take my stand in fighting Eur.

"I ask you to convey to my colleagues how much I appreciate confidence which they have shown me in thrice entrusting me with great honor of presiding over Assembly."

Some time after Assembly had approved with two abstentions res introduced by Turk Gulek and Brit Conservative asking Spaak to reconsider, he took place as delegate on floor and recd warm applause. During subsequent debate on Teitgen amendment to draft statute (Contel 88, Dec 11),[3] Spaak took opportunity to deliver moving speech summarized below.

He wished justify his support Teitgen amendment and wld support any such amendment giving CE opportunity emerge from present negative and stagnant state. He was depressed that total of talent and wisdom in CE led to no definite decision and felt that in fact only about sixty dels really believed in urgent need for unity, remainder obviously not being affected by feeling of urgency and threat of crisis (re Contel 75, Decl [4] re our conversation with Spaak). Eur now mutilated, Asia and Africa in revolt against her, for past four years Eur had lived in fear of Russians and on charity of Amers. Yet Assembly acted as if it had all time it wanted. There had been hope that change of govt in UK might offer greater chance but hard fact had emerged that UK was prepared do little more than "foster" Eur unity. It wld be disastrous if public opinion

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[1] Repeated to Paris, Brussels, London, Bonn, Rome, Ankara, Athens, Copenhagen, Dublin, The Hague, Luxembourg, Oslo, Reykjavik, Stockholm, Vienna, Ottawa, and Wellington.

[2] Not printed.

[3] *Supra.*

[4] Document 38.

was led believe that absence UK was excuse for failing unite Eur. United Eur without UK a risk but it behooved one to take risks when rewards were worth it.

Mtg 10th had been historic opportunity but when four Mins said they favored united Eur and asked for assistance of Assembly they recd no worthwhile reply. Assembly shld have appealed to Schuman Plan countries to federate. At least, it shld accept Teitgen proposal which showed way and offered real executive power to Assembly.

Hopes of Eur union practically exhausted in Strasbourg and those who believed in it had to appeal to public opinion outside CE for help in its creation.

This speech recd terrific applause.

Member Consulate staff had lunch today with Belg Socialist Larock who said he had spent many hours last night trying dissuade Spaak from resignation. Spaak had said he must resign not only as gesture against ineffectiveness Assembly but also against lack interest Comite Mins in Eur unity and because he wanted organize continental Socialists behind European idea which he wld be unable do as Pres Assembly. [5]

ANDREWS

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[5] In telegram 713 from Bonn, December 12, McCloy transmitted "Public Affairs Guidance No. 156" which included a brief passage commenting on the Spaak resignation. Spaak's action "reflects on role and work of Strasbourg Assembly rather than on work done by govts for unification of Europe as exemplified by Fr vote on Schuman Plan and on planning in progress for Eur Army. Spaak's action was intended and may be expected to make Council more productive and, in general, encourage more positive action and public opinion pressure for European integration." (511.00/12-1251) Telegram 638 to Bonn, December 13, stated the Department's view that Spaak's resignation was "better interpreted" as a reflection of his discontent with the achievements of the Council of Europe. It added that "Comparison with accomplishments of Govts unfortunate since CE Assembly has in fact endorsed both Schuman Plan and Eur army (without however bringing about great Eur unity). While Spaak action was certainly intended to make Council more productive, believe speculation of effects of action are premature and in any case should not originate with US." (740.5/12-1351) In telegram 775 from Bonn, December 18, McCloy replied that the guidance theme was intended to prevent the Spaak resignation from becoming a contributing factor "to popular cynical attitudes toward European integration which have become increasingly prevalent in Germany". (740.5/12-1851)

No. 42

840.20/12-2451 Telegram

The Chargé in the Netherlands (Trimble) to the Secretary of State [1]

CONFIDENTIAL THE HAGUE, December 24, 1951—noon.

632. For Agriculture. High official Neth Agric Min states that invitations to discussion meeting on Eur agric integration currently being issued by Pflimlin, former Fr Min Agric, who has sponsored Fr plan for agric integration, and Fr Govt to all OEEC countries. He added Dutch wld prefer that only Schuman Plan participant countries be invited discuss agric integration. Also in such a conference only Belg and West Ger wld be opposed to agric integration with Dutch and Itals strongly in favor and Fr who are divided on question also favorable. Dutch, he said, fear that Fr have invited larger OEEC group in order to allow torpedoing agric integration through attacks of such known opponents of close Eur integration in any field as Brit and Scandinavians.

Dutch hoping natl dels will include reps Ministries of Econ Affairs as well as Agric. If this done Fr, Belgs and even West Ger wld be more receptive to proposal for integration. Dutch expect large conference to accomplish little. In event these discussions deadlocked Dutch planning organize second conference limited Schuman Plan countries. [2]

TRIMBLE

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[1] Repeated to Paris for the ECA Special Representative in Europe.

[2] In telegram 3885 from Paris, December 29, Ambassador Bruce reported that a high official in the French Ministry of Commerce had stated that "European countries (Council Eur members, Switzerland, Austria, Portugal)" would receive invitations in early January 1952 extended directly by the French Government rather than through either the Council of Europe or the OEEC to meet in Paris "probably late Feb" to consider European agricultural integration. The preliminary session would be called to establish an agenda and procedures for a plenary session which the French hoped could be convened in April. French Minister of Commerce Pflimlin and Minister of Agriculture Laurens were reported in agreement on this approach to agricultural integration. In conclusion, Bruce stated that Pflimlin and Monnet were conferring that day on the project and that further developments would be reported "soonest." (840.20/12-2951)

II. EFFORTS BY THE UNITED STATES TO ASSURE THE COMPLETION AND RATIFICATION OF THE SCHUMAN PLAN FOR A EUROPEAN COAL AND STEEL COMMUNITY [1]

No. 43

Bonn Mission files, lot 311, D51/149

Briefing Paper Drafted in the Office of the United States High Commissioner for Germany [2]

SECRET [FRANKFURT,] February 2, 1951.

NATO PROBLEMS

SCHUMAN PLAN

GERMAN PARTICIPATION

Summary

It is believed that German signature of the Schuman Plan Treaty can be expected shortly after resolution of the problems of the reorganization of the coal and steel industry under Law 27. [3] These problems include the future of DKV, the agency which now has a sales monopoly of Ruhr coal; the problem of ownership of coal and coke production facilities by steel companies; and the number of producing units in the steel industry. Negotiations between ourselves and the Germans in these respects are now at a crucial stage. We are taking a firm position that, while we are willing to concede the necessity for a transition period during which DKV will be gradually phased out, and while we are not in principle opposed to reasonable ownership of coal mines by steel producers or to the existence in the steel industry of units of industrially efficient size, all cartels and excessive concentrations of power must be eliminated under Law 27. These negotiations are being carried on in close liaison with the French and British. It is hoped that these negotiations will come to a satisfactory conclusion in the near future and that Germany will proceed to sign the Schuman Plan Treaty.

German adherence to the Schuman Plan would be a major factor in the integration of Germany with the West and particularly in

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[1] For previous documentation on this subject, see *Foreign Relations*, 1950, vol. III, pp. 691 ff.

[2] Prepared for the Western Ambassadors Conference, Frankfurt, Germany, February 5–8; designated "(Item 6)." The Schuman Plan was discussed during the meeting of February 7. See the Summary Record, designated AMCO/SR(51)5, Document 75.

[3] The text of Law 27, "Reorganization of German Coal and Iron and Steel Industries", is printed in *Laws, Regulations, Directives and Decisions of the High Commission for Germany*, vol. I (September 21, 1949 to September 20, 1950).

the proposed shift to a contractual basis in connection with German participation in Western defense. Studies are now under way to determine the extent to which Germany's inclusion in the Schuman Plan will, by itself, justify the end of PLI and the Ruhr Statute and the extent to which the Schuman Plan must be supplemented by German contractual commitments respecting matters not within its scope.

Statement of Problem

The Schuman Plan is intended to integrate the production of coal and steel and create a single market area for these commodities in Western Continental Europe. It is one of the cornerstones of the political and economic integration of Western Europe favored by the United States. Negotiations looking toward the conclusion of a treaty implementing the plan have now been going on, with occasional intermissions, since June of last year. German participation is, of course, a prerequisite to the success of the Plan, and Germany's role in this connection has acquired even greater importance through the prospect that Germany may participate, industrially as well as militarily, in the common defense of Western Europe. The problem is to estimate (a) the present status of German participation, and (b) the effect of such participation upon Germany's relation with the Allies.

Discussion

The majority of Germans, in and out of Government, still favor the Schuman Plan as a step toward European unification. The Federal Chancellor seems to be sincerely desirous of a successful outcome. The Socialists have tended to be highly critical but have, on the whole, adopted a wait-and-see attitude. German participation in the Schuman Plan is closely related to Allied High Commission Law 27 which requires the reorganization of the coal and steel industry in Germany. In December, in the negotiations in Paris, the Germans took the position that they would not be able to approve the Schuman Plan Treaty until the pattern to be established in these industries under Law 27 was more clearly defined. The relevant issues under Law 27 are:

(1) The composition of the reorganized companies, especially in steel;
(2) The question of how far the iron and steel producers should be allowed to control "captive" coal mines;
(3) The future of DKV, the central sales agency which now completely monopolizes sales of Ruhr coal.

Composition of Unit Companies

In December we submitted to the Federal Government for comment a plan for the reorganization of the German steel industry,

based on the creation of twenty-nine unit companies. This number of companies is somewhat misleading. It includes a large number of small units, such as small foundry and special steel companies, which were proposed by the Germans themselves. The differences of opinion between the Federal Government and the Allies has been limited to a small number of the largest plants.

The companies proposed by the Allies were intended to be able to compete effectively on an equal basis with other European steel enterprises, and are comparable in size. The Federal Government has taken the view, however, that their ability to withstand periods of severe economic crisis would in some cases be improved by the increase in rationalization and diversification which would be made possible by its suggested combinations. It is believed that the differences in view on this question can and will be satisfactorily resolved.

Coal-Steel Integration

On the coal-steel issue, the Germans have taken the position that vertical integration is essential to the efficient operation of their steel industry. Their principal reason is that the widely differing qualities of iron ore available to German steel producers necessitate close control by individual producers over their supply of coke to assure proper quality. It is not easy to evaluate this argument, especially as to how much difference this integration makes in terms of costs. The French, on the other hand, whose steel industry is in large measure dependent on German coke, naturally fear a situation in which competing German steel producers have full coke supplies during periods of coal shortage requiring allocation. The British, for broader reasons, oppose close integration of the coal and steel industries.

The problem is to try to reconcile these divergent viewpoints. While recognizing the merits of the French position, it would be undesirable, especially in relation to the Schuman Plan, to give the Germans any impression that the Allies are deliberately lowering the efficiency of the Ruhr steel industry for their own advantage. An intermediate position would be to permit the Germans to have partial integration of coal and steel production, to the extent justified by considerations of genuine industrial efficiency, but *not* to such an extent that German steel producers will be fully independent of coal shortages which may, in times of full production, hamper their competitors in other countries. Such an advantage, based upon control rather than economic factors, would tend to reproduce the unbalanced development of the post-World War I period and would be at odds with the purpose of the Schuman Plan to create an equal basis for competition. On this matter also, it is

hoped that a compromise may be worked out between the viewpoints of the Allies and the Germans.

Dissolution of DKV

The third main problem under Law 27 which also affects the Schuman Plan is the dissolution of DKV. This agency has a complete monopoly in the sale of Ruhr coal. Similar control sales agencies have existed for many decades in the Ruhr, but the continued existence of DKV is completely inconsistent with both Law 27 and the Schuman Plan. Law 27 calls for the creation of separate coal mining companies which will also sell independently. The Schuman Plan is based on the creation of a common market supplied by a number of independent sellers. Articles 60 and 61 of the Schuman Plan treaty are designed to prevent combines and cartels which might restrict competition or create a monopoly.

The French regard the dissolution of DKV as essential to the success of the Schuman Plan. Their view is that if DKV survived, the French steel companies which depend on German coke would claim the right in self-defense to maintain a single buying agency, and that this would create the kind of super-cartelization which the Plan is intended to do away with. They have made it clear to the Germans that the continued existence of such cartels is too high a price for their participation in the Schuman Plan. The continuance of DKV is supported mainly by the mining union and some of the coal companies. They consider it a desirable agency to regulate the industry especially in periods of shortage or glut. Under the Schuman Plan the High Authority would have sufficient powers to deal with any legitimate problems of this type. Consequently, DKV would not serve any useful purpose but would merely enable the industry to maintain its monopoly.

Of course, in dissolving DKV some period of transition would be required to enable the German coal companies to create adequate sales organizations of their own and allow the German Government to establish machinery for allocation in periods of shortage.

The Germans naturally take the position that their participation in the Schuman Plan should mean the end of major occupational controls over coal and steel production, particularly PLI and the Ruhr Statute. The German position is not devoid of foundation, and the problem is plainly one which merits careful study. We are now seeking, as part of our studies in connection with the problem of placing our relationship with the Germans upon a contractual basis, to determine the extent to which German participation in the Schuman Plan would obviate the necessity for other German obligations with respect to the production and marketing of coal and steel. Thus, countries not participating in the Schuman Plan

should be assured the same access to the Ruhr coal and steel market that they now enjoy under the Ruhr Agreement, and equitable apportionment of materials in short supply which are needed for common defense. There must be some adequate substitute for the existing allocation powers of the Ruhr Authority. The Ruhr Statute, moreover, provides specific guarantees for the carrying out in the coal and steel industries of a number of important general Allied policies—the prevention of Nazis from regaining control of these industries, protection of foreign interests, the prevention of the development of excessive concentration of industrial power. All these Allied interests must be covered either under the Schuman Plan or through other German commitments in connection with the shifting of Allied-German relationships to a contract basis.

Conclusion

We should make every effort to facilitate speedy signing of the Schuman Plan Treaty by Germany without in any way compromising the basic principles of deconcentration and decartelization under Law 27. German participation in the Schuman Plan will, in our view, go far toward making unnecessary the continued existence of PLI and the Ruhr Statute, although certain other Allied policies which are embodied in the Ruhr Statute and PLI, but which are not within the scope of the Schuman Plan, will have to be the subject of discussions looking toward satisfactory German commitments in connection with the general proposed shift to a contractual basis.

No. 44

850.33/2-651: Telegram

The Liaison and Political Reports Division to the Office of the United States High Commissioner for Germany, at Frankfurt [1]

CONFIDENTIAL BONN, February 6, 1951—7 p.m.

605. From Liaison Bonn. Brentano states and Muehlenfeld confirms that at conference of Cabinet and coalition party leaders, Schuman draft letter to Adenauer on elimination of IAR and PLI for steel [2] had been rejected. Muehlenfeld said that it had been un-

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[1] Repeated to Paris, London, and the Department of State, which is the source text. McCloy's signature was used in all telegrams from both Bonn and Frankfurt.

[2] The text of Schuman's letter to Adenauer was cabled to the Department of State in telegram 4625, from Paris, February 5. (850.33/2-551) For further documentation on the termination of the Allied Prohibited and Limited Industries Agreement (PLI), see vol. III, Part 2, pp. 1344 ff.

derstood a firm commitment from French to support complete elimination of IAR and PLI for steel would be forthcoming after signature of plan and prior to ratification, but that current draft letter of Schuman to Adenauer foresaw only partial elimination of IAR and PLI for steel.

Brentano maintained that unless assurances were perfectly clear on this point it would be impossible to obtain ratification of Schuman plan in Bundestag. Since Germans have come to believe IAR and PLI on steel would go with signature of plan, Liaison Bonn is inclined to agree with Brentano that ratification would be difficult if assurances contained substantial reservations. Brentano confirmed Liaison Bonn's previous view that Hallstein has authority to initial but with proviso that satisfactory draft of Schuman letter is agreed. [Liaison Bonn.]

McCLOY

No. 45

850.33/2-1951: Telegram

The United States High Commissioner for Germany (McCloy) to the Secretary of State [1]

SECRET PRIORITY FRANKFURT, February 19, 1951—8 p.m.

6850. Personal eyes only from McCloy to Secretary and Byroade. On Saturday afternoon I conferred for three hours with the Chancellor, Minister Erhard and Dr. Pferdmenges about Schuman Plan and implementation of law 27.

I explained to Chancellor how far our compromise proposals had come with respect to UNI companies, coal-steel integration and transition period for dissolution of DKV. I pointed out that deep desire to bring about Schuman Plan on part of French and ourselves had led us to propose, and enabled us to induce French to accept, compromises going far beyond what would otherwise be conceivable. I told him that in my opinion these compromise proposals went to limit of possible acceptance by High Commission in view of known attitudes of British and French, even assuming Schuman Plan adoption. I said that our efforts had been to work out compromises which might bridge existing Allied-German gap; that French had gone very far to meet German views; and that uncompromising attitude of Ruhr industrialists seemed to be final ob-

[1] Repeated to Paris eyes only for Bruce.

stacle to approval of compromises already agreed to by Minister Erhard as reasonable.

In discussion Chancellor confined himself almost entirely to question of coal-steel integration. Judging by my own knowledge of position of Ruhr industrialists, I was convinced his arguments and reasons had been supplied by them. Chancellor asserted that industrialists told him that any allocation of mines less than they had requested would cause economic and social chaos but did not explain why this was so. Behind all reasons and objections advanced lies, I am convinced, the determination of steel interests to obtain ownership of at least their full capacity requirement of coal. I explained to him that this might well again give Ruhr steel companies power to expand their capacity and production when coal was in short supply and was limiting factor for rest of European steel industry. I stated that French felt this was inconsistent with basic premise of Schuman Plan and that I agreed with their view.

Chancellor said that politically his position vis-à-vis industrial groups had been weakened by acceptance of *mitbestimmungsrecht* [2] and that he feared he might not be able to obtain Bundestag majority for Schuman Plan against SPD and industrialist and trade unions opposition. I pointed out to him that if Schuman Plan failed on account of Ruhr steel efforts to obtain artificially dominant position, Germany would suffer serious set-back in Europe and US.

As result of discussion, Chancellor said he would again examine the question with industrialists and let me know outcome in few days. [3]

According to my analysis, situation has now been reduced to clear and simple terms. It is not question of one or two concessions here and there regarding size of units or otherwise. Question now is very basic one of whether Ruhr steel plants shall own enough coking coal to supply their full needs in periods of capacity operation. With the amounts we are prepared to approve, they will have sufficient coal for periods of normal activity and enough to attain the alleged benefits of coal-steel integration. Thus their insistence on their full demands supports French and our own fear that purpose is to attain artificially preferred position for German

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[2] Codetermination legislation demanded by the Social Democratic Party (SPD) giving organized labor a voice in West German industrial policy.

[3] Chancellor Adenauer wrote McCloy on February 20 that he had reflected "a long time" on their conversation of February 17 and had concluded that the signing and implementation of the Schuman Plan would achieve the objectives sought for in Law 27, including the prevention of the development of a future German war potential. Adenauer promised to "very carefully review the whole situation" further and concluded with the observation that further discussion of the "controversial points" at issue would be necessary. (Translation of letter from Adenauer to McCloy, February 20, Bonn Mission files, lot 311, D(51)225/A)

steel which will enable its growth at expense of normal growth of competing European industry.

I want to be sure that Department fully realizes that this basic issue is involved and is on guard against statements by interested groups either here or by representatives in US that difficulty arises from extreme deconcentration policy, or against other attempts to obscure the basic issue in other ways. I request full support of Department in our efforts here to work out constructive solution which will start Schuman Plan on basis fair to all participating countries. Next period will be extremely critical one and any sign of weakness or uncertainty will certainly make sound ultimate solution more improbable.

McCLOY

No. 46

862.19-Ruhr/2-2151: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

SECRET PRIORITY PARIS, February 21, 1951—5 p.m.

4932. Attention Secretary and Byroade. I am in agreement with McCloy's analysis of situation confronting us on deconcentration of Ruhr industry [2] and endorse his request for your support.

At telephoned request of Hallstein, Monnet is sending Hirsch to Bonn today for separate conversations on this question with Federal Government and McCloy. [3] Monnet wishes to be certain that

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[1] Repeated priority to Frankfurt for McCloy and to London, Rome, Brussels, The Hague, and Luxembourg.

[2] Reference is presumably to McCloy's views reported in telegram 6850 from Frankfurt, February 19, *supra*.

[3] In telegram 5021 from Paris, February 27, Ambassador Bruce summarized a conversation between French Deputy Commissioner Etienne Hirsch and Chancellor Adenauer on February 22 during which Hirsch pointed out that under the Schuman Plan the European countries would create a community among equal partners, which would discriminate against no one but which would also give no one a privileged position or means of dominance. Hirsch stressed that the Schuman Plan was only made possible by the existence of Law 27 and would be inconceivable if the structure of German industry were based on the old prewar industrial combinations. To restore these combinations to a privileged position, Hirsch added, by failing to carry out an effective deconcentration program such as that envisaged in Articles 60 and 61 of the Schuman Plan as well as by Law 27 would make creation of the Schuman Plan community "impossible." All presently outstanding problems "simply required a decision," Hirsch continued in response to a remark by Hallstein. "Adenauer closed with remarks that he considered early signing very important from political viewpoint and said that he would occupy himself personally with the outstanding questions in order to expedite a solution." (862.19-Ruhr/2-751) No record of conversations between Hirsch and McCloy has been found in Department of State files.

McCloy-Erhard compromise on coal-steel integration represents maximum concession that he can successfully defend before French Government. His decision will depend on whether additional concessions to Ruhr industrialists would in effect establish an artificially-privileged Ruhr industry which would be inconsistent with Schuman Plan. The basic premise of the plan is that customers and resources in common market are open to every industry without discrimination and under terms which permit most efficient producers to draw maximum benefits from their efficiency. Coal-steel integration in Ruhr cannot be consistent with this premise if it goes to point where Ruhr industry can, by sole reason of its priority access to coking coal, expand at expense of other European industry and thereby regain its previous artificially predominant role in Europe.

However, French position on coal-steel tie-up is not nearly as clear as their position on dissolution of Ruhr coal-selling monopoly explained in Embtels 4213 and 4214, January 20. [4] Under Schuman Plan even if Ruhr steel plants had ownership of coal mines limited to say even 100 percent of coking coal requirements for present production, French could expect that High Authority could make allocation of coal on some reasonably equitable basis in period of short supply. This assumes captive coal companies will be separately incorporated and managed, and will invoice deliveries to integrated steel units at market prices. Without Schuman Plan, Ruhr steel would eventually control coking coal requirements anyway, and French and European steel industry would not even have hope of equitable treatment. In addition, anti-trust provision (article 61) of Schuman Plan treaty as weakened in recent negotiations would almost certainly permit Ruhr steel industrialists to acquire control of coal production in addition to that permitted under McCloy-Erhard compromise. I frankly think, therefore, that Monnet would try to obtain acceptance by French Government for whatever deal can be worked out on coal-steel integration provided it does not reach point where it is inconsistent with Schuman Plan. He will, of course, meet difficulties and in any case, as McCloy points out, demands of Ruhr industrialists go well beyond this point.

Hirsch has also been instructed by Monnet to try once again to get general understanding with Germans on questions of future status of International Ruhr Authority, future of control groups under Law 27, restrictions on steel production and capacity in Germany, interim French-German agreement on coking coal, and status of Articles 60 and 61 of Schuman Plan as well as on questions of unit steel companies, the dissolution of coal-selling monopo-

[4] Neither printed.

ly and coal-steel integration. I doubt whether he will be successful. A general understanding with Germans has supposedly been just on point of achievement for past two months but Germans have managed to keep questions open to their advantage by swinging back and forth between conversations in Germany on deconcentration and negotiations here on Schuman Plan. In Paris in the last few days, by using the unwitting Dutch as a front the Germans succeeded in reopening anti-trust provisions of Schuman Plan on which they previously had accepted a commitment to US and the French to support. In Frankfort Adenauer is seeking unreasonable concessions on coal-steel and next effort will probably be to use opportunity of expected opposition from British Government and German mining unions in order to reopen again question of dissolution DKV.

French are struggling to close conference before additional ground is lost. Monnet has issued ultimatum to conference that he will close one way or another this Sunday. He apparently hopes to face each delegate with a take it or leave it decision on Articles 60 and 61 before that time, in this way making it clear, if Germans or Belgians do not accept, that conference failed because of their opposition to anti-cartel provisions. If Germans again ask for more time to reach decision on Ruhr deconcentration program, Monnet states that he will postpone conference indefinitely, explaining publicly that it was necessary because of uncompromising attitude of Ruhr industrialists. These plans to conclude will be difficult to accomplish not only because of questions that may arise during Hirsch's conversations, but also because no one has any idea of what Belgians might do. Sugjens, head of Belgian delegation, disappeared again into Belgium in middle of discussions on Articles 60 and 61. No one knows for certain if he will come back this week or what his instructions will be when he comes.

In my opinion the only real bargaining counter that French now have if the Germans remain intransigent is the threat of Monnet's resignation from conference. This can only be done effectively when all channels of compromise are exhausted and issue is very clear. Ruhr industrialists are definitely of view that if they succeed in postponing decisions they will inevitably gain complete elimination of all restrictions and achieve preferred position that they seek. Events are already demonstrating this. The Germans know generally, for example, what US position is on PLI negotiations in London; thus terms of proposed letter from Schuman to Adenauer, which would have appeared generous on this issue a few months ago, will now appear almost grudging. The French have pretended for some time that they could pressure Germans by bringing issue of deconcentration to HICOMs for decision, but now that they are

faced with this possibility, they realize that they have no assurance that HICOM would act quickly on this issue, that HICOM action would support French position, or that Adenauer would or could accept Schuman Plan if deconcentration were imposed in this way.

I agree with McCloy that every reasonable concession has been made to meet their views. Proposed size of unit steel companies are based on German proposals. Transitional period has been accepted for dissolution of DKV. No obstacles have been created which would prevent Federal Government from carrying out legitimate functions now performed by DKV. Percentage limits on coal-steel integration are actually generous. In addition, French and other delegates have agreed to inclusion of specific provision in Article 61 of Schuman Plan which is for express purpose of avoiding any possibility discrimination against Ruhr industry and which probably goes too far in sense that effectiveness of Article 61 is thereby weakened. Hirsch's visit will give McCloy and Monnet another opportunity to determine whether there are any further concessions which can be reasonably and safely made. If after they have reached their decision, Adenauer is still not prepared to accept and to stick to the packaged deal, I suggest that you and McCloy carefully consider whether you are willing to place the deconcentration issue before HICOM for decision and to insist on quick action. If you are prepared to see the thing through, then Adenauer should be so informed and told to make his decision. [5]

BRUCE

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[5] In priority telegram 4447 to Paris, February 23, Acting Secretary Webb informed Bruce that the Department was "very concerned at Schuman Plan developments reported urtel 4932." Webb added that Byroade had telephoned Frankfurt to see whether McCloy had any recommendations as to further action that might be taken. McCloy had promised to telephone Byroade on February 24 "if he feels further action from this end wld be useful," and Webb closed by urging Bruce to send any further recommendations he might have. (862.19-Ruhr/2-2151) No record of a McCloy telephone conversation on February 24 with Department officials on this topic has been found in Department of State files.

No. 47

850.33/3-351: Telegram

The United States High Commissioner for Germany (McCloy) to the Secretary of State [1]

SECRET PRIORITY FRANKFURT, March 3, 1951—4 p.m.

7132. Personal eyes only from McCloy to Secretary and Byroade. Summary of my two hour conversation with Chancellor on Friday is as follows:

1. Law 27 and Schuman Plan. On Thursday night [2] Chancellor had sent me letter about coal-steel [3] which showed almost no advance from his earlier position as reported in my 6850 of February 19. [4] In view of this I told him I was deeply discouraged about prospects for constructive solution and could see no way out as long as Germans adhered to insistence on preferred coal position. While recognizing his political difficulties I again emphasized profound significance of Schuman Plan for Europe and West especially in light of impending Four-Power Conference. [5] Chancellor expressed his full agreement on this and his strong desire to have Hallstein sign Schuman treaty next week. In reviewing situation I stressed our earlier efforts with French to insure Germany fully equal status in Schuman Plan and stated that conversely Germany should not expect better than equal position. After extended discussion of our approach and supporting data Chancellor indicated he would accept our 75 percent formula [6] as basis for solution and suggested further discussions on Tuesday to work out details. Meanwhile he asked me to talk once more to trade unions and certain Ruhr figures although his action does not depend on results. Only after Tuesday discussion will be sure whether settlement actually will materialize but I am more encouraged now as to prospects. Chancellor's attitude on this has strengthened my conviction as to

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[1] Repeated to Paris eyes only for Bruce.

[2] March 1.

[3] Not printed. A translation of this letter is in Bonn Mission files, lot 311, D(51)270.

[4] Document 45.

[5] Reference is to the Four-Power Exploratory Talks; for documentation, see vol. III, Part 1, pp. 1086 ff.

[6] Reference is to an agreement reached by McCloy and Adenauer during the conversation on March 2 summarized in this telegram that no German steel works should own mines which had a capacity to produce more than 75 percent of its coking coal requirements, using the production experience of 1938 to 1943, as well as of the month of October 1950 as base points for computation. (Undated letter of McCloy to Adenauer, Bonn Mission files, lot 311, D(51)283)

his own sincere belief in European idea and in practical integration with West.

[Here follows a summary of discussions between McCloy and Adenauer pertaining to the current German grain shortage, the question of arming the federal police, and German public opinion toward the Pleven plan for a European defense force.]

McCLOY

No. 48

850.33/3-1451: Despatch

The Special Adviser to the Deputy Chief of the ECA Mission in France (Goldenberg) to the Department of State [1]

CONFIDENTIAL PARIS, March 14, 1951.

No. 2616

Subject: Recent Conversations on the Schuman Plan

In recent informal conversations with Mr. Goldenberg of the ECA Mission to France, two important personalities representing the French steel cartel and a leading French Socialist, have expressed their strong antagonism to the version of the Schuman Plan which is emerging from the present discussions of the Conference of Six. [2] Two of these men indicated their belief that even if the Conference approves the Schuman Plan, the French Chamber of Deputies would not ratify it. The three men are:

Mr. A. Aron, leader of the French Steel Industry and its representative on the Working Committee of the Schuman Plan Conference.

Mr. Pierre Ricard, First Vice President of the Conseil Patronat Français and active leader of the Federal of European Industies which recently openly attacked the Schuman Plan.

Mr. Robert Lacoste, former Minister of Industry and Commerce and a leading Socialist member of the French Chamber of Deputies.

The main points made by the above are as follows:

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[1] A marginal notation indicates that the source text was approved for transmission by William M. Tomlinson, Treasury Attaché in the Embassy in France.

[2] On February 20, the Conseil National du Patronat Français, claiming to speak for the industrial federations of Western Europe, circulated a letter approving the principles but condemning certain specific aspects of the Schuman Plan, especially the proposed right of the High Authority to interfere in cartelization activities. (*L'Année Politique*, 1951, pp. 42-43)

Mr. Aron

Most of the arguments presented by him had been advanced on numerous earlier occasions but never had he been so vehement in denouncing the Plan as during this interview. His bitterness was directed not only at Monnet, but also at the Americans since, according to Aron, Mr. Monnet constantly uses the threat of American withdrawal of funds from France and Europe if the Schuman Plan is not approved. Aron asserts that without this club the Plan would have no chance whatsoever of passing, since, according to him, all the delegations, with the exception of the "socialistic" delegation of the Netherlands and the "socialistic" French delegates, are against it.

Mr. Aron maintains that the Americans were "taken in" by the above "socialists" and he reverted to the old complaint that the champion of free enterprise, the United States, is sponsoring and forcing a socialist and "dirigist" organization upon Europe. He again maintained that of course the steel industry is for the Schuman Plan, but not for the one presently suggested. He said that if a united Europe is needed, why not do it through the establishment of a united army, a united transportation and electric system and other similar combinations that lend themselves naturally to a unified arrangement.

He again brought up the argument that the United States would never think of imposing such a plan on its own industry—why then should the French steel industry be treated like a band of criminals who cannot be trusted with a public consciousness and with a desire for improving its own affairs. He asked why the industry was not given a definite period of years, say three or five, with certain demands made upon them, and then, if these demands were not fulfilled, nationalize the industry. He almost implied that the steel people preferred nationalization to the Schuman Plan, since, according to him, the High Authority will ultimately be under the domination of the Germans and then, with coke under their control, the Germans will always be able to "prove" that theirs is the most efficient industry and that the French industry should be producing continuously reduced amounts of steel.

He stated, on the other hand, that given freedom to negotiate, the French industrialists would have no real difficulties in obtaining coke from Germany, since Germany is in need of many French products and a natural exchange would take place between the two countries. In this connection he said that the German industrialists had approached the French steel people on many occasions asking them to organize an entente, but that the French had refused. He reiterated that they could come to an understanding on coke and

on other matters as well, but that the Schuman Plan would mean domination by the Germans.

Aron attacked the Plan on its presumed inconsistencies, citing as an example its approach to competition. On the one hand, the Plan stands for free competition; on the other hand, stated Aron, the Plan implies that if there is too much competition, the High Authority is to set quotas. He asked where free competition comes in in this case. He reiterated his earlier arguments, that the old European steel cartel was completely misrepresented—that it had nothing to do with the type of cartel that prevailed in the petroleum, rubber and tin industries. He also stated that if there were now an entente between European steel producers the shameful situation of the extremely high prices at which steel in Europe is sold for export would not have taken place.

He was also very bitter against the French Administration which, he stated, is the only one in Europe that maligns the steel industry of its own country, while none of the other European governments ever attack their steel industries. Yet, he asserted, the French steel industry is no different in management practices from those of its neighboring countries. Aron voiced an additional complaint against the Administration on the score that in no other European countries do officials go around "snooping" in the steel plants to see whether they are properly run, as is the case in France.

The representative of the mission gathered the impression that Mr. Aron's bitterness is, to an important extent, due to his belief that the Schuman Plan is about to be adopted by the Conference, and that it will be ratified by the French Assembly.

Mr. Ricard

Mr. Ricard recently returned from an informal trip to Spain for the purpose of renewing close contacts between the leaders of the French industry and those of Spain. Prior to his departure he had seen Mr. Schuman. On this occasion, Mr. Ricard said that he had discussed the present state of the Schuman Plan with him. According to Ricard, Schuman agreed that the High Authority should be deprived of its "authoritarian" powers and that he presumably was in agreement on many other points advocated by Ricard and his associates. The reason Schuman has not intervened recently on a greater modification of the Plan is due, in Ricard's view, to the fact that since January 15 there has been practically no Government in France, since everybody is passionately absorbed by one subject, the electoral reform. [3]

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[3] For further information on the influence of the electoral reform bill on French politics, see the unnumbered telegram from Ambassador Bruce, Document 163.

Ricard went on with the discussion of the Schuman Plan and stated that all the difficulties and problems surrounding the Plan were due almost entirely to the personality of Monnet. Even now, he said, if it were possible to somehow remove Monnet from the leadership of the conference, a text could be achieved which would meet with the approval of the Assembly. In its present form, Ricard asserts, the Plan meets with opposition from the entire French industry, labor and most of Parliament. He cited the case of P. Lacoste, former Minister of Industry and Commerce, who, while a socialist, is vehemently opposed to the Plan.

Mr. Ricard expressed his belief that the French Parliament would not ratify the Schuman Plan, and stated that he foresees this with profound regret since the Schuman Plan was one of the most important and original contributions made by French diplomacy and it should not be allowed to fail. He again reverted to Monnet and said it would be the fault of the latter who refused to invite the collaboration of other interested parties in so vital a matter. Among the difficulties created by Monnet, Ricard brought up the following: Monnet was supposed to have promised certain members of the Assembly that he would not proceed with the Schuman Plan for any length of time without discussing it with the Commissions of Foreign Affairs and of National Economy in the Chamber of Deputies, but up until now this has not happened. Ricard asserted that he knows very many members of Parliament who for this and other reasons would not vote for the Schuman Plan.

Mr. Lacoste

In a brief conversation during a luncheon with Mr. Lacoste, he stated that the Schuman Plan contains too many objectionable features. In his opinion the French Chamber of Deputies will not ratify it. He holds that the High Authority will be endowed with too much power over industries vital to France and expressed his belief that the High Authority should include representatives of the six respective governments who would be qualified to defend the interests of their countries.

LEON GOLDENBERG

No. 49

850.33/3-1551: Telegram

The United States High Commissioner for Germany (McCloy) to the Secretary of State [1]

TOP SECRET PRIORITY FRANKFURT, March 15, 1951—10 a.m.

7411. Eyes only for Secretary and Byroade. Situation re Law 27 and Schuman Plan now as follows:

1. Last Thursday after my conference with the industrialists and labor union leaders, [2] I again saw Adenauer and told him about results my discussions. At his request I also agreed send him letter stating my conclusions about the application agreed formula to specific cases of integration coal and steel. Chancellor stated he prepared go ahead with initialling of Schuman Plan as soon as details worked out.

2. Since then we have worked with Chancellor's office on draft of letter from Chancellor to High Commission submitting proposals by Federal Government for solution of problems of steel unit companies, integration coal and steel, and dissolution DKV. This letter delivered to the High Commission this morning. Copies will be pouched immediately. [3] Proposals in letter conform to those we had indicated would be satisfactory.

3. In discussions with Chancellor, I made it clear these proposals would be acceptable only in context of Schuman Plan containing effective provisions against cartels and combinations. He acknowledged this as basis on which proposals were submitted. Since then we have also had further discussions with German delegation re provisions Articles 60 and 61 dealing with cartels and combinations. If Germans adhere in negotiations in Paris position taken our discussions, it should be possible work these out in acceptable form without substantial delay. French fully accept articles in form satisfactory to us and have obtained similar assurance from Dutch and Italy. Reports from Murphy on Belgian attitude cause me some concern. [4]

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[1] Repeated to Paris eyes only for Bruce and to London eyes only for Gifford.

[2] Ambassador McCloy met with representatives of the German trade unions on March 3, but it was not until May 15 that an *aide-mémoire* detailing these discussions was drawn up by the Correspondence Control Unit at Bonn. A copy of this *aide-mémoire* is in Bonn Mission files, lot 311, D51/286. McCloy met with representatives of the German steel industry on March 7; no record of these meetings has been found in Department of State files.

[3] No copy of the Chancellor's letter has been found in Department of State files.

[4] In telegram 1481 from Brussels, March 13, Ambassador Murphy reported on a luncheon conversation that day with the Belgian Foreign Minister during which

Continued

4. It seems we arriving at critical point on Schuman Plan. Yesterday Adenauer told Francois Poncet he would send Hallstein to Paris on Friday to initial treaty and seemed prepared sign himself early next week, but Hallstein intervened saying political questions still open would preclude Adenauer signing this TA. Feel Hallstein attempting hold Chancellor back and may still be intriguing through other delegations to gain support for weakening Article 61. If necessary I expect to tell Chancellor again how important US considers prompt signing of treaty in order clarify political situation especially in view possible Four Power conference.

5. I believe it would now be desirable for Department cable Benelux countries urging our representatives each country stress importance we attach prompt conclusion Schuman Plan and to necessity directing their energies to that end. [5] With situation on Law 27 now clear, I think time ripe for concluding and fear delay may allow opponents regroup. Timing also especially important at this stage east-west issue. It important for all countries to know conclusion plan is direct object US policy and highly significant for its future attitude toward Europe.

McCloy

Van Zeeland had complained that the Schuman Plan, as developed in the negotiations at Paris, had gone far beyond its original objectives and that the complexity of the proposed organization, "its far-reaching implications and dirigism inherent in proposed structure almost defeat its purpose." Murphy took Van Zeeland's comments to reflect "generally lack of sympathy with Articles 60 and 61." Murphy added that he had consulted McCloy by phone on this matter. (850.33/3-1351)

[5] See telegram 1055, *infra*.

No. 50

850.33/3-1551: Telegram

The Secretary of State to the Embassy in the Netherlands [1]

SECRET NIACT WASHINGTON, March 16, 1951—1 p.m.

1055. Re Paris tel 5439, Mar 15, rptd info London 1313, Rome 374, The Hague 160, Brussels 249, Frankfort 652, Luxembourg unnumbered; and Paris tel 5441, Mar 15, [2] rptd info London 1315,

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[1] Drafted by Vernon of the Commercial Policy Staff and cleared with Bonbright, Byroade, and ECA. Also sent niact to Luxembourg, Brussels, Paris, Rome, Frankfurt, and London.

[2] Telegram 5439 reported, *inter alia*, that Monnet had called a meeting of the heads of delegations for the evening of March 15 with the intention of having the Schuman Plan conference initial the treaty. Telegram 5441 enumerated the subjects which had been reserved for consideration by the delegation heads prior to the signature of the treaty. Both telegrams are in file 850.33/3-1551.

Frankfort 654, Rome 376, Brussels 251, The Hague 162, Luxembourg unnumbered.

1. Dept and ECA understand last remaining difficulties re Ger deconcentration program which had previously constituted hurdle to Ger initialing of Schuman Plan are now settled, and that mtg Ministers to settle remaining issues and sign may be set for next week.

2. Dept requests heads of missions convey to FonMins US conviction that signing of Plan in immed future is of utmost importance. US hopes govts concerned will find it possible surmount few remaining difficulties and contribute to our common political objectives by concluding negots next few days. We believe early conclusion of Plan will have profound effect on public opinion both in Eur and US and that failure at this stage wld result in severe setback to Western cooperation.

3. In US view, Western Eur can only be strong if sources of longstanding tensions between Ger and its neighbors are eliminated, Schuman Plan holds promise of far-reaching results in that direction. Questions of immed advantages or disadvantages accruing to individual countries as result institution Plan wld appear be insignificant by comparison with this major consideration. Moreover, dramatic evidence Western World solidarity and stronger Ger ties to West at this time wld strengthen position in dealing with USSR in possible 4-power conference.

4. In addition, strains created by recent necessary reimposition Ger trade restrictions make it particularly desirable to have reaffirmation at this time Ger desire cooperate closely with West.

5. ECA concurs.

6. Pls report reaction Govt to Washington, rpt to Paris and Frankfort. [3]

ACHESON

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[3] In telegram 5501 from Paris, March 17, Ambassador Bruce reported that, in agreement with the chiefs of mission at Rome, Brussels, The Hague, and Luxembourg, he had communicated the contents of this telegram to the heads of delegations from Italy, Belgium, France, and Great Britain. (850.33/3-1751) In telegram 1296 from The Hague, March 18, Ambassador Chapin reported that he had seen Dutch Foreign Minister and OEEC Secretary-General Dirk Stikker and had relayed the contents of telegram 1055 to him in the form of an *aide-memoire*. (850.33/3-1851)

No. 51

850.33/3-1651. Telegram

The Liaison and Political Reports Division to the Office of the United States High Commissioner for Germany, at Frankfurt [1]

CONFIDENTIAL BONN, March 16, 1951—3 p.m.

756. From Liaison Bonn. During conversation March 16, Dr. Schumacher termed US support of Schuman Plan part of a Franco-American conspiracy against Ger workers. He said there can be no talk of equality as long as the Ger economy is expected to support the artificially over-expanded Fr steel industry. The SPD leader also again attacked Schuman Plan as unconcealed Fr attempt to gain control of Ger industry. (See Bonn's tel 419 to Frankfort, rptd Dept 373, Paris 85, Dec 7. [2]) He said his party was seething over latest results in Schuman plan negots and referred to agrmt to liquidate DKV by 1952 as an act which is bound to result in unemployment, possible unrest and a lower living standard for the miners of the Ruhr. Schumacher stated emphatically that his party wld never approve the Schuman Plan in its present form and that it wld launch a determined campaign against its ratification. This opposition cld well lead to what he called "a new relationship between the occupation powers and Ger labor". Schumacher concluded his remarks by saying that there cld be no Ger military contribution as long as Allies continue to sponsor such projects of inequality as the Schuman and Pleven Plans.

The SPD leader made similar remarks to Joseph Alsop, US journalist, during interview on Mar 15, further stating that shld communism ever be reborn in Germany, the Americans can take credit for having acted as godfather by sponsoring Schuman Plan.

Liaison Bonn believes that the violence of Schumacher's opposition to Schuman Plan is at least partially due to his anxiety over somewhat doubtful trade union support of his party's position. Impression was gained that SPD leader is determined to use all available means to rally labor opposition to Schuman Plan in order to prevent workers from slipping out of SPD's grasp. [Liaison Bonn.]

McCLOY

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[1] Repeated to London, Paris, and the Department of State, which is the source text.

[2] Not printed.

No. 52

740.00/3-2051: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

CONFIDENTIAL PARIS, March 20, 1951—1 p.m.

5545. Schuman plan conf [2] ended in same "team spirit" which was characteristic of nearly all its deliberations. No reservations were made by any delegation. While Schuman and the Quai d'Orsay looked on in wonder, Belg dels in chorus led others in singing ballad of its own composition on Schuman Plan.

New difficulties, however, will soon arise. We understand Van Zeeland raised three points with Schuman over weekend which he wishes to raise again at meeting of Mins. First, Van Zeeland states that he wishes to remove from treaty any powers given to High Auth which are not absolutely necessary to establish a common market. As examples he uses the anti-cartel and anti-concentration articles 60 and 61. Second, without being specific he wishes to eliminate the "dirigiste" aspect of the treaty. Third, he questions whether Belgs can accept commitment for Belg coal mines to be brought within common market within a definite period. French do not seem to be worried by Van Zeeland's position, commenting that he has his pol difficulties and merely wishes to establish a record because of the influence of industrial interests in Belg.

There may yet be serious complications between Ger and France with regard to the handling of the Saar.

According to their Amer lawyers in Paris, certain French cartel leaders are already saying they intend to go to the US to seek support of NAM in fighting the treaty in its present form. They will argue the same points as Van Zeeland except that they will continue to try to cloak their intentions by claiming the treaty is an attack on free enterprise as it is known and practiced in the US.

There will also be differences of opinion on such questions as giving France and Germany an extra vote each in the Council of Mins, basing voting in the assembly substantially on the same

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[1] Repeated to Frankfurt eyes only McCloy, and to Brussels, Rome, The Hague, and London, eyes only for the Ambassadors.

[2] Reference is to the Conference of Six (composed of representatives from France, the Federal Republic of Germany, Italy, the Netherlands, Belgium, and Luxembourg), which had been meeting in continuous session at Paris since June 1950 in response to French Foreign Minister Schuman's proposal of May 9, 1950, for the creation of a European Coal and Steel Community. For documentation on the Schuman proposal and the creation of the Conference of Six, see *Foreign Relations*, 1950, vol. III, pp. 691 ff. The treaty to establish a European Coal and Steel Community was initialed by the heads of delegations to the Conference of Six on March 19, and the text of the treaty was released that day. The treaty was formally signed on April 18.

basis as the Council of Eur rather than by weighing production and consumption, and keeping the number of members on the High Auth smaller than the number of countries.

Additional questions will certainly arise when draft treaty is made subject of public debate. [3]

BRUCE

[3] The French text of the Schuman Plan Treaty was released on April 18. (*Documents on International Affairs, 1951*, pp. 175–213) An analysis of the Plan and a statement by Secretary of State Acheson released on March 21 welcoming the action taken by the six Western European countries in initialing the provisions of the Schuman Plan is in Department of State *Bulletin*, April 2, 1951, pp. 523–528.

No. 53

Editorial Note

On March 22, Monnet handed Ambassador Bruce a memorandum requesting an unspecified amount of United States financial aid to the High Authority of the European Coal and Steel Community in order that that agency could begin functioning effectively at an early date. Monnet pointed out that eventually the High Authority would be self-supporting. It would derive funds from levies upon coal and steel production, it could borrow on the financial markets of the member states, and it would obtain revenue from the increased coal and steel production of the member states. At the moment of the High Authority's inception, however, the United States, despite the heavy burden on its resources as a result of the rearmament program, was the only available source of capital in the quantities necessary to ensure the early success of the Schuman Plan. For the High Authority to obtain substantial assistance from the United States during its first months of operation would not only make a marked contribution to the efficiency of its operations, Monnet continued, but would also ensure it the highest degree of prestige and influence which it would require to carry out its mission. Monnet concluded with the observation that there was no question that an increase in European steel production, as promised by an early and efficient functioning of the Schuman Plan, would represent a major contribution to the entire Western rearmament program. (850.33/3–2251)

On March 26, in anticipation that French Foreign Minister Schuman might raise this subject during his visit to Washington with President Auriol, Raymond Vernon of the Commercial Policy Staff drafted a memorandum to be circulated to ITP, EUR, RA, and GER in which he recommended that Schuman be told "that the United

States would give the most sympathetic consideration to any specific proposal for financial aid to the High Authority. A more precise reaction, however, would have to wait upon a specific proposal." Vernon also suggested that Schuman be told that the ECA did have some funds in the current appropriation and would probably have funds in the next year's appropriation which could be used to aid the High Authority should it become necessary. In a covering memorandum to Miriam Camp of RA, Vernon stated that his paper "is consistent with line ECA will take." (850.33/3-2651)

The Schuman Plan was discussed only briefly and in very general terms during the single meeting between Presidents Truman and Auriol and their respective delegations on March 29. For the United States minutes of that meeting, see Document 158. On April 2, Ambassador Bruce, who had accompanied the French party to Washington, reported to Chargé Bohlen in Paris in telegram 5177 that in talking with ECA Director William Foster, "He said it was all right to tell Monnet that ECA wld study any concrete plan suggested this purpose with most sympathetic interest and wld give early reply". (850.33/4-251) In a memorandum of April 5 to Bohlen, Stanley M. Cleveland, Second Secretary of the Embassy in France, reported that he had given the substance of telegram 5177 to Monnet who expressed pleasure and a desire to talk further with Bohlen on the matter. (Paris Embassy files, lot 58F53, 500 Coal & Steel Pool)

No. 54

850.33/4-551: Despatch

The Chief of the Policy Staff of the Office of Public Affairs, Office of the United States High Commissioner for Germany (Boerner), to the Department of State

SECRET FRANKFURT, 5 April 1951.

No. 3198

Subject: Prospective German Government Cooperation in Popularizing Schuman Plan in Germany

A representative of the Policy Staff, Office of Public Affairs, HICOG, Frankfurt, called March 31 at Bad Godesberg on Dr. Ulrich Sahm, head of the "Secretariat for Schuman Plan Questions," an agency of the German Foreign Office. The appointment with Dr. Sahm resulted from an offer made by HICOG at the beginning of March to cooperate with the German authorities toward popularizing the Schuman Plan in Germany.

Dr. Sahm and the HICOG representative discussed all projects contemplated by either party for popularization of the Plan. The chief handicaps are the lack of funds on the part of the German authorities for making the Plan discussed and understood in their country, and the fact that HICOG is an agency of a country which, inasmuch as it is not a member of the Plan, must avoid promoting it ostentatiously lest the public attribute such promotion to selfish motives.

1. Documentation

Plans were discussed for the printing of pamphlets to bear the imprint of some German institution. Dr. Sahm favors two pamphlets, one relatively technical and the other very simple and popular. When concrete German proposals for these pamphlets are ready, they will be submitted to HICOG with a view to obtaining funds for their publication.

2. Frankfurter Allgemeine Zeitung Supplement

An economic supplement to this newspaper appeared April 3 with ECA support. The supplement discusses the Schuman Plan in detail and contains considerable material furnished by the German authorities, including a statement by Chancellor Adenauer.

3. Speakers

Pursuant to a HICOG suggestion, the Germans will prepare a roster of available speakers on the Schuman Plan from various walks of life, including some from other Schuman Plan countries. The German authorities will also follow our suggestion that arrangements be made for a correspondent of the Deutsche Presse-Agentur to interview a prominent Ruhr industrialist who favors the Plan.

4. University Fora

HICOG is granting a small amount in cash to the Aktionsgruppe, an association of German professors with its seat at Heidelberg, to cover travel expenses of speakers and publicity costs for a public forum on the Plan to be held at Heidelberg. Dr. Sahm promised to approach other universities with the suggestion that they hold similar fora. Our representative and Dr. Sahm agreed that the proposal of the "Institut Luxembourgeois Universitaire" to arrange an international discussion on the Plan at Frankfurt University May 25, providing HICOG supplies the money, will be studied closely by both parties.

5. Radio Fora

Dr. Sahm agreed to promote radio debates on the Plan.

6. Talks to Workers' Groups

Dr. Sahm proposes to send speakers to workers' groups, especially to plant personnel.

7. Exposition Train

The HICOG representative informed Sahm of the offer of a Stuttgart firm to prepare and operate an exposition train on the theme of the Federal Republic's economic and political integration with the West, the resulting benefits and obligations for the Federal Republic, and the promise that the Schuman Plan holds for Europe's future. The train would be shown on a 100-day circuit near the border of the Federal Republic. Our representative informed Dr. Sahm that this project was in need of further study but would probably work out.

8. Films

Dr. Sahm agreed that there must be maximum newsreel and other coverage of events connected with the Plan. HICOG is arranging for Welt im Film to give proper coverage.

9. Tour for Journalists

Dr. Sahm has a project whereby the German Republic would invite all Schuman Plan countries to send selected journalists on a tour of said countries with emphasis on their coal and steel areas. The German Government would provide the bus or buses and would arrange the program within Germany, including food and lodging. Each other country would be expected to provide the program and food and lodging within its territory. Sahm believes the tour, including perhaps five journalists per country, would make a good impression wherever the bus passes and that the journalists concerned would also give the Plan considerable publicity.

10. French Help in Popularizing the Plan in Germany

In response to a question by our representative. Dr. Sahm said that he had not received any offer from the French High Commissioner's Office to help popularize the Plan in Germany.

11. Schedule of Developments

The next important date for the Schuman Plan is the Foreign Ministers' meeting in Paris April 12 to agree on unsettled details and to sign the Plan. The French and German governments are expected to recommend and facilitate full film and publications' coverage for this meeting, which marks the first postwar participation of a German Foreign (and Prime) Minister in an international conference. Nevertheless, HICOG will suggest that Dr. Sahm check on the adequacy of publicity facilities.

Dr. Sahm did not hazard a guess as to how long it will take for the German Parliament to reach active consideration of ratification of the Schuman Plan. An informed guess from other sources is that the Bundestag will not act on the Plan until late in June. We agree with Dr. Sahm that efforts to popularize the Plan should begin to take hold soon after the close of the Paris meeting.

12. Conclusions

Judging from Dr. Sahm's attitude, the German Government sincerely desires to make the Schuman Plan widely discussed and understood in Germany. It will appreciate discreet HICOG assistance, chiefly financial, toward this objective but wants to be kept informed of all HICOG projects in this connection. It is likely that cooperation will be smooth.

However, if German labor maintains its present opposition based mainly on implementation of Law 27, public discussion may be heated and the Plan may face rough going. Labor's refusal to accept the agreement between HICOM and the Federal Republic regarding liquidation of the German coal sales organization concides with a vehement attack from trade union leaders on economic policies of the Adenauer Government. It is probable that there will be a strong labor campaign this Spring on the issues of price-wage policies and codetermination in mining or, if settled there, in other industries. It appears difficult but essential that the Schuman Plan not become a political football, but be lifted out of this context.

ALFRED V. BOERNER

No. 55

ECA message files, FRC 53A278, Paris: Telegram

The Deputy Administrator for Economic Cooperation (Bissell) to the United States Special Representative in Europe for the ECA, at Paris (Katz) [1]

CONFIDENTIAL WASHINGTON, April 12, 1951—8 p.m.

Torep 2406. Subject—Possible U.S. Contribution to Schuman Plan.

1. State and ECA have been considering possibility U.S. agree provide $50–$100 million financial support for Schuman Plan. Fol-

[1] Drafted by Bissell and cleared with Perkins, Prud'homme, and Vernon. Sent also to the Embassy in France and to the Office of the High Commissioner for Germany at Frankfurt for Bruce, Parkman, McCloy, and Cattier.

lowing paragraphs present provisional views here possible form of arrangement. Purpose is to obtain reaction OSR, HICOG, and Am Embassy Paris.

2. All discussions this subject have been confused by absence of clearly defined proposal. While we have not as yet worked out clearly defined proposal our provisional view of the general line of a proposal which might be considered are as follows: (a) agreed amount of ECA funds from present appropriation would be deposited with the Treasury in a permanent trust account for the Schuman Plan; (b) payments from funds might be made either to individual member countries or to the High Authority but in all cases with the approval of the High Authority; (c) purpose for which fund could be drawn upon would be subject to agreement between High Authority and ECA but in general would be for the purpose of financing equipment, modernization, integration of European coal and steel industries including such items as housing for workers in coal and steel industries and other purposes directly related to the expansion and increased efficiency of production and productivity. It would not therefore be available for subsidies, equalization payments, retirement of surplus or outmoded capacity or other purposes not directly related to the expansion and increased efficiency of production and productivity; (d) the form in which the aid would be given from the trust account would depend upon the purposes. If the High Authority required dollars in order to extend local currency loans High Authority could be given free dollars with which to procure the local currency. Similarly if it needed dollars in order to make payment on a guarantee it would be given free dollars with which to procure currency to make such payment. Where the purpose is to finance shipments from the U.S. of capital equipment dollars in those cases would be program dollars made available with the approval of the High Authority to the member countries in accordance with ECA procedures; (e) in general to the maximum extent possible intra-European payments impacts would be handled within the EPU framework and not through the High Authority. In other words the functions of the two institutions will to the maximum extent be kept separate.

3. Foregoing arrangement could be established under authority existing legislation. Creation trust fund out of current appropriations might however be dependent on legal establishment High Authority before July 1, 1951. If High Authority not established by then, probably necessary seek include allowance funds for this purpose in FY '52 appropriation. In any event, arrangement could not be established without prior Congressional consultation.

4. Appreciate views OSR, HICOG, AmEmbassy Paris soonest. [2]

BISSELL

[2] In priority telegram 8370 to Paris, April 16, McCloy informed the Department of State that he was "strongly inclined" to support the view of State and ECA that a U.S. commitment of funds to the European Coal and Steel Community prior to its formal establishment through ratification of the treaty by the member nations was "of doubtful wisdom". (Paris Embassy files, lot 58F53, "500 Coal and Steel Pool") In telegram Repto 1839 from Paris, April 21, Katz informed ECA Administrator Foster that he felt that "we shld take no initiative for present" and that he was "Impressed by McCloy's views Frankfurt 8370". (ECA message files, FRC 53A278, Paris) On April 27 Bissell informed Katz in telegram Torep 2793 that in light of telegrams Repto 1839 and 8370, ECA had decided not to provide any contribution to the Schuman Plan from fiscal 1951 funds but would seek authorization for contributions to "central institutions" from 1952 funds which would be on terms broad enough to cover possible contributions to the Schuman Plan. (ECA message files, FRC 53A278, Paris)

No. 56

Editorial Note

During the latter half of March, representatives from France and Germany held a series of conversations at Paris concerning the dissolution of the Ruhr Authority and the removal of steel production ceilings in preparation for the coming into existence of the European Coal and Steel Community under the Schuman Plan. Chargé Bohlen reported on these conversations in telegram 5804 from Paris, March 30, and added that substantial agreement had been reached, but that it was as yet uncertain whether such an agreement would be incorporated in a letter from Schuman to Adenauer, as previously planned, or whether it would be made the subject of a joint statement of the French and German Governments. (850.33/3-3051)

In telegram Sigto 581 from London, April 10, Ambassador Gifford reported that a French representative on the Steering Committee of the Intergovernmental Study Group on Germany had said that the French Government intended to discuss with the other governments signatory to the Schuman Plan the elimination of duplicate functions between the High Authority of the ECSC and the Ruhr Authority. The French delegate added, off the record, that the French Government would incorporate its proposals in a letter to the Government of the Federal Republic of Germany at the time of the formal signing of the Schuman Plan. (396.1-ISG/4-1051) That same day, in telegram 6076, Chargé Bonsal at Paris sent a translation of the most recent draft letter from Schuman to Adenauer concerning proposals for the dissolution of the Ruhr Author-

ity once the High Authority of the ECSC came into being. Bonsal added that this text had been agreed to by representatives of the French Foreign Ministry and a representative of the German Schuman Plan delegation to the Paris negotiations and that subject to any last minute changes that Schuman and Adenauer might wish to make it should be considered definitive. (850.33/4–1051)

The Treaty establishing the European Coal and Steel Community was formally signed by France, the Federal Republic of Germany, Italy, the Netherlands, Belgium, and Luxembourg at Paris on April 18. A copy of this Treaty, including various protocols and the "Exchange of Letters Between the Government of the German Federal Republic and the Government of the French Republic Concerning the Saar", is in CFM files, lot M–88, box 138, "Treaty (Schuman Plan)". The Saar letters are also printed in Folliot, *Documents on International Affairs, 1951,* pages 242–243; for documentation on the Saar, see volume III, Part 2, pp. 1970 ff.

In telegram 6424 from Paris, April 23, Ambassador Bruce reported that after having obtained clearance from Adenauer "and apparently the agreement of the Brit," French Foreign Minister Schuman had released the text of his letter of April 18 to Adenauer relating to the dissolution of the Ruhr Authority as a necessary prerequisite for the coming into existence of the ECSC. The letter is printed in *Europa Archiv,* 1951, page 3986. Bruce added that in order to implement the proposals contained in Schuman's letter the French Government planned to issue an invitation within the month for a meeting in Paris of representatives of the Intergovernmental Study Group on Germany, i.e., the United States, the United Kingdom, and France. (850.33/4–2351)

Secretary Acheson replied in priority telegram 5727, April 27, that there were technical aspects of the Ruhr problem that needed consideration and that it was therefore "politically desirable" to issue invitations promptly for the Paris meeting. (850.33/4–2351) Bruce responded in telegram 6592, April 29, that the French proposed to call a tripartite conference at the ambassadorial level to meet in Paris in mid-May. At this conference the French would, among other things, explain the provisions of the Schuman Plan and the modifications required in German occupation controls to carry it into effect. France would then seek to obtain from the United States and United Kingdom a decision in principle to eliminate all such controls. Bruce added that the formal invitations to the conference would probably be extended within the week. (850.33/4–2951)

The French invitation to the United States to participate in the Paris conference on the Ruhr was formally extended on May 7, with May 21 designated as the opening date. In telegram 5912, May

7, the Department of State informed the Embassy in France that it would accept the French invitation with pleasure and that the Embassy should take up the question of detailed arrangements for the meeting with the French Foreign Ministry. (850.33/5-751) The Department also reiterated its concern, first expressed in telegram 5880 to Paris, May 4, over the limited nature of Benelux participation in the conference. (850.33/4-2951)

The tripartite conference on the termination of the Ruhr Authority convened in Paris on May 21. Philip W. Bonsal, Charles A. Livengood, John D. Tomlinson, Robert R. Bowie, J. Robert Wilson, and Earle A. Cleveland, the latter three of whom were attached to the Office of the United States High Commissioner for Germany, comprised the American Delegation. The British and French Delegations were likewise composed of representatives from both the respective foreign ministries and the offices of the British and French High Commissioners for Germany. In reporting upon the opening session of the Ruhr Conference in telegram 7148 from Paris, May 22, Ambassador Bruce summarized the short speech of welcome delivered by Pierre-Albert Charpentier, French delegate and Director-General of Economic Affairs in the Ministry of Foreign Affairs. Charpentier stressed the "need to abolish Ruhr Auth and such occupation controls as were incompatible with new relationship of Germany" to Europe as a result of the imminent establishment of the European Coal and Steel Community. (862.19 Ruhr/5-2251)

During the Conference, which lasted from May to October, negotiations were complicated by British insistence that the proposed abolition of Allied controls over the German coal, iron, and steel industries not compromise the increasingly urgent need for German exports to build up the United Kingdom defense effort. British delegates stressed the particular need of the United Kingdom for a continued flow of German steel scrap and semifinished steel products. The British continually emphasized that "His Majesty's Government have experienced increasing difficulties with the Germans about the fulfillment of their obligations on this score". Telegram 7886 from Paris, June 19, transmitted the statement made orally by a member of the British Delegation to the Ruhr Conference "and confirmed later in writing". (862.19-Ruhr/6-1951)

The Department of State expressed great concern over the British position and, in telegram 6926 to Paris, June 19, repeated to London as 5987, the United States Delegation was instructed to inform the British that it was inappropriate to introduce conditions which "in our view prejudice seriously ratification Schuman Plan in Ger". (850.33/6-1951) Documentation on the Ruhr Conference is in files 862.19-Ruhr and 850.33 and in lot files M-88 (Council of

Foreign Ministers) and 311 (Bonn Mission). The conclusion and results of the Ruhr Conference are summarized in Document 68.

No. 57

850.33/4–2451: Telegram

The Liaison and Political Reports Division to the Office of the United States High Commissioner for Germany, at Frankfurt [1]

CONFIDENTIAL BONN, April 24, 1951—5 p.m.

937. From Liaison Bonn. Hallstein and Dittman of FonOff confirm that Adenauer returned from Paris highly pleased over successful signature of Schuman Plan, anxious to strike while iron is hot, and therefore resolved to push Parliamentary ratification. Besides remaining minor issues to be settled by experts, such as location of high auth and languages to be used, Ger legislation must be prepared for Parliament (art 59 basic law), which, in view of complexity of plan, Hallstein believes may take about six weeks. Govt thus hopes that Bundestag first reading may take place in June and that remaining Parliamentary consideration can be completed in another week or two.

According to FDP Bundestag faction leader Euler, coalition faction leaders yesterday met with Chancellor and in principle endorsed plan for rapid ratification. Euler says however that he made Bundestag ratification subj to following conditions, which he claims CDU and DP faction leaders also support: (a) prior public statements by US and Brit endorsing Fr proposal to liquidate Ruhr auth; (b) similar Western assurances re lifting of steel production restrictions; and (c) that Fr Parliament ratifies plan about same time as Ger. Euler claims that these conditions essential to meeting Schumacher's opposition, as well as views of certain circles supporting coalition. Euler also apprehensive that Fr elections may delay Paris approval and thus give Schumacher more time to mobilize opposition in Ger. [Liaison Bonn.]

McCLOY

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[1] Repeated to Paris, London, and the Department of State, which is the source text; pouched to Berlin and Moscow.

No. 58

740.00/5-1251: Despatch

The Consul at Strasbourg (Andrews) to the Department of State [1]

CONFIDENTIAL STRASBOURG, May 12, 1951.

No. 395

Ref: Consulate's Telegram No. 146, May 11, 1951 [2]

Subject: Schuman Plan Debate, Consultative Assembly, Council of Europe

The Council of Europe's Consultative Assembly debate on the Schuman Plan was opened at the morning sitting May 10 upon the submission of the Report of the Committee on Economic Questions (Doc. AS(3)31) by André Philip (Socialist, France), who summarized the terms of the European Coal and Steel Community treaty signed at Paris April 18. In his summary (Doc. AS(3)CR8) Philip anticipated German objections to Articles 60 and 61 of the Treaty condemning unauthorized cartels, combines and concentrations, and pointed out that similar opposition had been offered by the French Comptoir Sidérurgique which would be similarly affected. He discounted objections that the High Authority would constitute an irresponsible power, pointing out that it was answerable to the Assembly, that not even France and Germany acting jointly could block a decision of the Assembly, and that the Court was available to individuals in case the High Authority should abuse its powers. Unforeseen difficulties could be overcome by revision of the Treaty by the Committee of Ministers; but meantime, Philip urged, it should be ratified promptly as the first step in the functional approach to a united Europe.

The debate which followed was noticeably affected by the impending elections in France and the hopes of British Conservatives and German Social-Democrats to bring about government crises in their own countries. Wilhelm Nölting (Social-Democrat, Germany) accordingly raised every objection which has been voiced by the SPD for domestic hearers, many of them self-contradictory, and took a narrowly nationalist position which in other Assembly debates has scarcely been equalled even by the Irish. Nölting urged successively (1) that the Plan created a new supercartel; (2) that the Council of Ministers proved the nationalist conception behind it; (3) that the High Authority was an uncontrollable body of technocrats; (4) that the unions' one-third representation in the Con-

[1] Copies pouched to Paris, London, and Frankfurt.

[2] Not printed.

sultative Committee was insufficient for cogestion[?]; (5) that the Committee was in any case powerless; (6) that the High Authority is not genuinely supra-national; (7) that it is the successor of the International Authority for the Ruhr; (8) that Germany's representation should be based on productive capacity only (45 percent of West European steel, 51 percent of coal); (9) that German coal integration is forbidden, while French steel combines persist; (10) that the Deutsche Kohlensyndikat has never been a monopoly; (11) that the Ruhr Authority and the German steel production limitations must be abolished before Germany ratifies the Treaty; (12) that self-financing alone is excluded from High Authority control, and the German industry has no funds for self-financing; (13) that Germany, with the Netherlands, as a low-cost producer, must subsidize foreign rival industries; (14) that Germany cannot accept that the Saar ratify the Treaty or be represented among the French delegates; (15) that "the policy of the victors will be anchored in the Schuman Plan for 50 years"; (16) that the Social-Democrats reject the Plan because of their sense of responsibility toward Europe as a whole; (17) that the Plan has too little in the way of truly European direction or dirigisme; (18) that the Social-Democrats want a strong, viable Europe which shall include Great Britain and Scandinavia.

Certain speakers expressed benign approval (Macmillan, Conservative, UK; Motz, Liberal, Belgium; Lannung, Radical, Denmark; Schaefer, Free Democrat, Germany; Van de Kieft, Labor, Netherlands; Giacchero, Christian Democrat, Italy; Margue, Christian Socialist, Luxembourg; Struye, Christian Socialist, Belgium), with occasional reference to the special risks and sacrifices borne by their respective countries. Others criticized particular points, although approving the Treaty as a whole; thus Falck (Christian Democrat, Italy) believed that it would have to be revised even before ratification, finding that the scope of the Court's authority was too narrow, being confined to interpretation of the Treaty; and Beaufort (Catholic People's Party, The Netherlands) objected that there was no guarantee each nation would have one representative in the Court. British Conservatives did not let slip the opportunity for irony at the conservatism of their Labor colleagues, and Reynaud (Independent Republican, France) was freely sarcastic on the "internationalism" of the Socialists, German school. Sandys (Conservative, UK) expressed his surprise at the Labor Party's nationalism; in reply Blyton (Labor, UK) answered that Britain's coal and steel industry was altogether too important to be placed under a supranational authority, although it might be associated with such later on; meantime, he said, it was surprising to find Sandys and Macmillan regretting that England had not participated in the

Plan negotiations, since that was not the view of the Conservative Party at home. Lord Layton (Liberal, UK) declared that England should negotiate for participation in the Plan, and hoped that the Labor Party would strive to enable Britain to play her role without abandoning her liberty.

The interjection of the Saar issue (see Strasbourg's despatch No. 392, May 12) "under cover of the Schuman Plan debate" was deplored by Larock (Socialist, Belgium), and by Von Rechenberg (Free Democrat, Belgium), who accused Saar delegate Dr. Heinz Braun of being the first to raise the question. Von Rechenberg apparently had not listened to Dr. Nölting's address, for it was Nölting (see above) who first brought the matter up by objecting both to ratification of the Treaty by the Saar and to Saar representation in the Plan's administrative organs.

The serious portion of the debate was devoted almost entirely to rebuttals of Nölting's arguments. Von Campe (Christian Democrat, Germany) urged that any trade treaty involves give and take on both sides, and that Germany would benefit economically by a stabilization and expansion of her coal and steel industry, besides participating in the creation of a united Europe and enjoying the benefit of permanent peace with France. Von Brentano (Christian Democrat, Germany) spoke at length, commenting on the contradictions in Nölting's theses, noting that if representation had been based solely on productive capacity, the Plan would indeed represent just the kind of producers' cartel to which Nölting objected. He declared that the Common Assembly would be truly supranational under Article 24, and would exercise democratic and legislative powers under Article 95. He called for similar supranational authorities in agriculture, transportation, electric power, etc.

On Friday, May 11, the final word was given to André Philip, who, after expressing hope that Great Britain would adhere to the organization, applied himself to Nölting's contentions. He pointed out that the two-thirds majority rule is not new; that the Assembly has great power in dismissing the High Authority en bloc, even if that be its only means of manifesting dissatisfaction, because that is the normal way of removing governments; that labor representation cannot be increased unduly without risking transformation of the Consultative Committee into a corporative body; that opposition to deconcentration is foreign to Socialist principle; that representation cannot be based solely on production, and that Nölting's argument would turn out especially unfavorable to Germany if Britain should adhere to the Plan, or if (as is intended) the same Assembly and Court should be employed for specialized organizations of agriculture and transportation. Like Brentano, Philip emphasized that representation according to productive capacity only

would convert the Plan bodies into a cartel, albeit governmental; and added that the Socialist principle is to represent the interests of all workers, and not merely the employees in this or that industry. With regard to finance and self-financing, Philip suggested that self-financing is normally accomplished by utilization of abnormal profits; that such profits will disappear in the competition for the European market; and that in any case loans guaranteed by the High Authority, together with public knowledge of the Authority's program for closing unprofitable enterprises, will sufficiently discourage self-financing or speculative investment in uneconomic mines and plants. He agreed that Germany could be easily outvoted, as Nölting feared; and argued that France could be too, as could France and Germany put together; and that such was the intention of the Plan. He solemnly and movingly appealed to the Germans not to use such phrases as "victors' policy" as being not only unjust and untrue, but dangerous; that it had not been easy for France to persuade herself to take this step of collaboration, contrary to her memories and subconscious instinct.

Following a brief statement by Jakobsen (Socialist, Denmark) who said that delegates from non-Schuman Plan countries should as Europeans vote for the Resolution (see referenced telegram and Doc. AS(3)31 enclosed with Consulate's despatch No. 388, May 10, 1951.) [3] calling upon the parliaments concerned to ratify the Treaty as soon as possible, the Assembly immediately approved the Resolution by the following vote:

For: 80
Against: 7 (German Social-Democrats)
Abstentions: 9 (8 British Laborites and Luxembourg Socialist Pasquin)

GEORGE D. ANDREWS

[3] Not printed.

No. 59

850.33/6-551: Telegram

The Secretary of State to the Consulate at Geneva [1]

SECRET WASHINGTON, June 5, 1951—1 p.m.

988. Swayzee from Goott. Dept concerned over possible margin Schuman Plan ratification by Ger Bundestag in view strong opposi-

[1] Cleared by GPA, GER, EDT, and S/S.

tion Schumacher. [2] Failure adopt Plan would be considered major polit defeat for US. Widest possible margin in favor ratification desirable obvious polit reasons.

In view Ger DGB approval Plan in principle and ICFTU support Ger trade union position this issue, Dept would like explore possibilities for US trade unions express their strong interest in adoption of Plan to Ger trade union leaders. Dept proposes that US trade unions on own initiative and perhaps also in conjunction with ICFTU engage in systematic effort fortify DGB leaders, particularly SPD members, in their opposition to Schumacher stand on Plan. Dept hopes effect this effort will be to encourage DGB members Bundestag not to vote against ratification of Plan. Appeal would be in terms of Plan's broad political implications emphasizing econ recovery and unification West Eur rather than defense aspects.

Since Delaney, Ross, Potofsky in Geneva suggest you raise issue soonest with them for reactions and comments. Timing important as Plan likely be considered Bundestag near future. [Goott.] [3]

ACHESON

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[2] Telegram 1102 from the Liaison Division at Bonn to the Office of the High Commissioner for Germany at Frankfurt, May 24, repeated to the Department of State as 884, reported that an early and speedy passage of the Schuman Plan treaty through the Bundestag had been "considerably clouded" in recent days by a number of developments, including the fact that the occupation powers had not yet indicated publicly their intention to liquidate the Ruhr Authority and German steel restrictions with the creation of the European Coal and Steel Community, the continued lack of resolution of the Saar question, and the advisability of German ratification of the treaty prior to that of the French, all of which factors tended to play into the hands of Schumacher and other opponents of the Schuman Plan. (Bonn Mission files, lot 311, D(51)684)

[3] In a memorandum of July 3 to Vernon and Daniel Montenegro of GPA, Goott stated that he had just received a letter from Swayzee in Geneva in reference to U.S. trade union encouragement of German trade unionist opposition to Schumacher's stand on the Schuman Plan. Swayzee had written that the U.S. trade union representatives had told him that they had made their position perfectly clear to their German colleagues and would continue to make it clear, but would "not do anything above and beyond this". (850.33/7-351)

No. 60

850.33/6-2151: Telegram

The Chargé in the United Kingdom (Holmes) to the Secretary of State [1]

SECRET PRIORITY LONDON, June 21, 1951—1 p.m.

6707. For Perkins. In accordance with instructions in Deptel 5987, June 19 [2] (Paris 6916, Frankfort 8659), Emb presented US views on Schuman Plan conference strongly to Stevens of FonOff emphasizing adverse public reaction to Brit position on continent and in US. He made fol points in reply:

1. Brit position as set forth in statement given to Paris conference was strongly held in view taken at Ministerial level and any change in this position wld have to be referred to Ministers.

2. Position strongly held because of vital importance of increased effort and long record of failure of Germans to live up to promises to improve their performance in scrap supplies to UK. Stevens mentioned particularly the MacCready-Erhard agreement of last winter and also Morrison's trip to Germany last month in which he discussed scrap problem with Adenauer. Adenauer gave assurances that he wld take steps to increase scrap supplies to the UK but so far as Brit can see nothing has been done. Morrison was described as "very angry" about this.

3. Brit Govt felt that scrap problem was so important that they must take advantage of every possible bargaining point with Germans in order to increase supplies. Since record of bad performance by Germans was generally admitted they had hoped that French and US wld be able to associate themselves with UK in using Germany's desire to be relieved of controls over coal and steel as bargaining point to increase German scrap export commitments.

4. Stevens said that negots now under way for trade agreement with Ger had been most unsatisfactory, that Brit had offered greatly increased prices for scrap, that he believed this was not an obstacle and that Germans had flatly refused to include any exports of semi-finished steel.

5. In commenting on US offer to participate in talks with Gers to increase scrap deliveries (para 3 reftel), Stevens pointed out that difficulty with persuading Ministers to accept this alternative was that it had already been tried and had not produced results. He said they were very grateful for assistance given by HICOG last winter and that this had contributed greatly to successful conclusion of MacCready-Erhard agreement but that despite this agreement scrap had not been forthcoming in agreed quantities.

6. Stevens agreed, however, to prepare more specific proposal along lines para 3 reftel and discuss it with us with view to propos-

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[1] Repeated priority to Frankfurt and Paris.

[2] See Document 56.

ing this to cabinet in order to enable Brit to withdraw reservation to Ruhr agreement protocol.

7. Stevens also aware of strong adverse reaction from both French and ourselves to Brit paper and of danger to successful completion of Schuman Plan which it represented. He said that he believed French thought Brit were trying to sabotage Schuman Plan itself and that scrap issue was only incidental in their minds. He also agreed this might be public reaction in US. He denied this flatly and assured us that if they cld be satisfied on scrap point they wld withdraw reservation.

We believe UK officials will sincerely attempt to formulate proposal promptly along lines Dept's suggestion para 3 reftel. Since above approach was made prior to receipt of Deptel 6017, June 20, [3] rptd Paris 6957, Frankfort 8696, and since Stevens is responsible UK official whose views Morrison wld require before making a decision, suggest we give Stevens chance to make recommendation to Morrison before deciding on approach to latter. Perkins approach to Steel will also be helpful in impressing Brit with urgency of matter. In meantime it wld be desirable avoid publicity this matter since this wld complicate problem of gaining acceptance UK Govt to alternative.

HOLMES

[3] Telegram 6017 requested the Embassy in the United Kingdom to "approach Brit at whatever level necessary to be effective" and give them the substance of views contained in telegram 5987. (850.33/6-2051)

No. 61

850.33/6-2151: Telegram

The Chargé in the United Kingdom (Holmes) to the Secretary of State [1]

SECRET PRIORITY LONDON, June 21, 1951—7 p.m.

6725. Stevens called Emb Offs to FonOff this afternoon re Brit attitude Schuman Plan discussions reported Embtel 6707 June 21. [2] He said Dept's views had been considered at inter-departmental official level mtg this morning and as result interested deps wld be prepared to recommend to cabinet that Brit modify position outlined Paris 7886 June 19 [3] rptd London 2104. Before doing so however FonOff wld appreciate Dept's views on modified proposal con-

[1] Repeated to Paris and Frankfurt.

[2] *Supra.*

[3] See Document 56.

tained in fol paper and wld like to receive them as far in advance as possible of cabinet mtg scheduled for June 28.

"1. Fed Govt shall be informed by HICOM in confidence that, prior to conclusion of agreement between 3 occupation govts that Ruhr Auth, restrictions on Ger crude steel production and capacity, and functions of Allied coal and steel groups which do not relate to deconcentration under Law 27 shall be abolished as soon as Schuman Treaty is ratified by respective parliaments and as necessary machinery under that treaty is set up, it will be necessary for them to provide an assurance re equitable apportionment of raw materials required for West def in, *inter alia*, fol terms:

"(a) Fed Govt undertakes to license for export to UK 50 percent, and to US 25 percent of its total exports of steel scrap for period from 1 Aug '51 to 31 Dec '52 and further that quantities so licensed shall be not less than 40,000 tons per month to UK, and 20,000 tons per month to US for period from 1 Aug '51 to 31 Dec '51. These figures shall be regarded as including fulfillment of balance of prospective backlogs outstanding as of 31 July '51, provided that these backlogs as of that date do not exceed in case of UK 62,000 tons and in case of US blank tons.

"(b) Fed Govt undertakes to license for export to UK 30 percent of its total exports of semi-finished steel for period from 1 Aug 51 to 31 Dec 52, provided that supplies of semi-finished steel currently being furnished to US under special arrangements shall not count as exports for this purpose.

"2. US Govt, HMG (and Fr Govt) undertake to render each other all possible assistance in ensuring fulfilment by Fed Govt of assurances indicated in (1) above."

Dept will note that principal changes in original Brit position are:

(a) Altho scrap and semi-finished steel question still linked to removal of controls Brit no longer insist that Gers give evidence of better performance in scrap deliveries prior to agreement on removing controls. In other words approval wld be given to lifting controls in return for assurances from Ger with respect to deliveries of type normally given in trade agreements and similar to those given in past.

(b) Brit no longer insist on public announcement either tripartite or unilateral of Ger agreement to scrap deliveries.

In explanation of Brit position Stevens stressed importance such deliveries to UK def effort and failure of Gers to live up to past commitments in respect to these materials. He also observed that unlike US UK has few means of pressure to bring to bear on Gers and therefore feels it must make full use of such bargaining points as it has available.

In response to our request for further details on failure of Gers to carry out previous commitments with respect to scrap Stevens

pointed out that gentleman's agreement of last winter provided for delivery of 500,000 tons from Nov 1, 1950 to June 30, 1951 and 100,000 tons per month for remainder of '51. Gers had cut down 500,000 ton commitment to 410,000 and had made it plain that nothing even approaching 100,000 tons per month cld be expected for remainder this year. UK–Ger trade agreement of last summer provided for 500,000 tons in '50 and 200,000 in first half of '51. Using this lower figure as target actual deliveries thru June 30, '51 assuming receipt of 30,000 tons in June wld fall short by 92,000 tons. Gers have refused to make any current commitments with respect to deliveries in last half of '51 and have mentioned figures as low as 10,000 tons per month. Stevens indicated HICOG has been kept fully informed re Ger performance.

HOLMES

No. 62

850.33/6–2151: Telegram

The Secretary of State to the Embassy in the United Kingdom [1]

SECRET PRIORITY WASHINGTON, June 22, 1951—7 p.m.

6068. Re Embtels 6707 [2] and 6725 [3] Jun 21, pls inform FonOff that US can not agree to connect solution UK scrap problem with dissolution IAR and abolition other controls. We do not consider keeping conditions confidential, which we do not believe could be done in any case, removes several basic objections outlined previously. We will consider after receipt of views HICOG our attitude toward specific quantities which the Brit wish but we are not prepared to take any action on this matter so long as it is tied to the Paris-Schuman Plan discussion on the dissolution of the Ruhr Authority. Pls reiterate to FonOff that once two problems are separated US reps in Ger prepared to participate fully in talks with Gers designed to make certain that Gers export equitable quantities scrap and semi-finished steel. We wld welcome specific suggestions from Brit as to how, short of link with IAR discussions, US can assist.

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[1] Drafted by George Jacobs of GER and Miriam Camp of RA. Cleared with Vernon and Martin of EUR and repeated to Paris and Frankfurt.

[2] Document 60.

[3] *Supra.*

Friedrich and Erhard will be in Wash within next two weeks and Dept could raise problem with them at that time indicating our concern adequate Ger performance. [4]

ACHESON

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[4] In telegram 8016 from Paris, June 22, Ambassador Bruce reported that he had told members of the British Embassy that the United States had endorsed West German participation in the Schuman Plan on an equal status with all other member nations with all the advantages and disadvantages that such a status implied and that it was therefore out of the question now for the United States to support "an irrelevant prior condition" to the elimination of the Ruhr Authority and other controls over German coal and steel industries. Bruce added that he had "pressed again" the U.S. offer to participate in direct talks with the Germans to increase deliveries of scrap and semifinished steel to the United Kingdom. (850.33/6-2251)

In telegram 6809 from London, June 26, Ambassador Gifford reported that he had called on Morrison and had spoken to him along lines indicated in telegram 6068. Morrison replied that the Germans had "fallen down on commitments re scrap" and that in the circumstances the Minister of Supply and others in the Cabinet had come to feel that the only way of getting action from the Germans was by linking scrap deliveries with the question of the termination of the Ruhr Authority. Morrison concluded that if a scheme could be worked out which would secure deliveries without tying the scrap question to that of abolition of the IAR and controls, "he believed he could sell it to Cabinet." Gifford expressed confidence that a solution along such lines could be found which would be satisfactory to all parties and suggested that he be authorized to pursue the matter with the French Embassy and the Foreign Office. (850.33/6-2651)

No. 63

850.33/6-2651: Telegram

The Secretary of State to the Embassy in the United Kingdom [1]

SECRET PRIORITY WASHINGTON, June 27, 1951—7 p.m.

6181. Re Embtel 6809 Jun 26, [2] rptd Paris 2809, Frankfort 1401, Dept believes fact that HICOG and UK Element Ger have opened negots with FedRep (Bonn 996 Jun 26, [3] rptd London 289, Paris

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[1] Drafted by Jacobs and cleared in draft by Vernon, Camp, and S/S. Repeated priority to Paris and Frankfurt.

[2] See footnote 4, *supra*.

[3] Telegram 996 reported on a 3-hour meeting on June 26 between representatives of the Federal Republic, the United Kingdom, and the United States during which German representatives outlined the "great difficulties" in collecting the amount of scrap desired by the United Kingdom and proposed a reduction in scrap commitments to the United States in order to meet commitments to the United Kingdom. U.K. and U.S. representatives countered with a proposal that, of the first 350,000 tons of scrap collected, 275,000 should be for German use and 75,000 for export and any balance above 350,000 tons should be divided "50-50" between domestic use and export leaving for subsequent agreement between Federal Republic and U.S.-U.K. experts how the entire export total should be allocated between the United States,

Continued

338) makes unneces Emb discussions substance scrap problem with FonOff at this time.

We understand FonOff fully informed Bonn negots and MacCready authorized proceed. In these circumstances believe it best if HICOG attempt to drive the best bargain it can without arousing reaction in Ger which wld affect Schuman Plan. Dept and Emb can determine what further steps required upon conclusion Bonn talks.

In the interim Dept believes it wld be useful if Emb asked FonOff in light of discussions under way in Ger to resume Paris discussions with view to completing them. The urgency of completing them and announcing results promptly is indicated in Bonn 999 Jun 26, [4] rptd Paris 340, London 290.

ACHESON

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the United Kingdom, and all other countries. This proposal left the Germans "somewhat shocked" and Major General Hays, the U.S. Deputy High Commissioner for Germany requested the Department of State's "prompt reaction" to the proposal. (850.33/6-2651)

[4] Telegram 999 reported the concern of the officials of the Federal Republic over delay in announcing Allied agreement to the liquidation of the Ruhr Authority and their fear that the Bundesrat might withhold approval of the Schuman Plan until such agreement was announced. (862.19-Ruhr/6-2651)

No. 64

850.33/6-3051: Telegram

The Acting United States High Commissioner for Germany (Hays) to the Secretary of State [1]

SECRET PRIORITY BONN, June 30, 1951—4 p.m.

1011. Ref ourtel 996 of 26 June, [2] rptd London 289, Paris 338, pouched Frankfort and Duesseldorf; and Dept to London 6181 of 27 June, [3] rptd Frankfort 8901, Paris 7143 concerning scrap.

Bode saw Erhard at latter's request 30 June. Erhard rejected counterproposal reftel, declined make counterproposal. He insisted Ger minimum requirements 350,000 tons must be met and cld not accept any formula entailing risk for this requirement. Willing step up scrap collection efforts and invite US/UK observers and suggestions to prove FedRep's earnest desire meet obligations.

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[1] Repeated to London as 296, and to Paris, Frankfurt, and Dusseldorf. McCloy was in Washington during the final weeks of June and the first weeks of July for consultations.

[2] Not printed, but see footnote 3, *supra*.

[3] *Supra*.

We reiterated seriousness of situation brought about by FedRep's failure honor commitments, unfairness in shifting all risk entailed in shortfall collections to importing countries, and lack of collection effort and performance since commitments first entered. Stated that Erhard's present position did not afford any basis whatever to arrive at agreed solution.

Erhard stated he wld like to discuss matter in Wash. [4] Advised him he wld encounter same attitude and arguments there. Advised MacReady who took very serious view. Stated negots in Wash might lead out of impasse if US willing to exert heaviest pressure. [5]

Will send our recommendations after full unilateral consideration and after consultation with MacReady. Buttenwieser leaving here 3 July and will be available Wash 5 or 6 July.

HAYS

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[4] Regarding Erhard's discussion of the German scrap problem with American officials during his trip to Washington in the second week of July, see telegram 159, *infra*.

[5] In telegram 92 from London, July 6, Ambassador Gifford reported on a conversation between Minister Julius C. Holmes and Lord Henderson, Parliamentary Under Secretary of State for Foreign Affairs, in which Henderson first stated that the British Government was greatly disturbed by the recent refusal of Erhard to consider U.S.-U.K. scrap proposals and then expressed the hope that U.S. officials could impress upon Erhard the importance which the United States attached to a satisfactory solution of the problem when Erhard visited Washington. Henderson added that unless a solution could be reached promptly, the consequences would be very serious. Britain "strongly resented" the failure of the Germans to cooperate on this matter particularly in view of British efforts to help Germany on such matters as admission to the Council of Europe. (862A.3314/7-651)

No. 65

862A.3314/7-951: Telegram

The Secretary of State to the Embassy in the United Kingdom [1]

CONFIDENTIAL WASHINGTON, July 9, 1951—5 p.m.

159. Thorp, Lewis and Buttenwieser emphasized to Erhard and Krekeler Fri importance US attaches satisfactory solution scrap problem. Although indicating willingness to endeavor increase scrap collections, Erhard reiterated Ger view that Ger domestic requirements must first be met before export requirements considered. Thorp flatly rejected this concept, pointing out that if US adopted such view re certain raw materials, for example, sulphur, there wld be little for Eur countries. Thorp also pointed out unfor-

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[1] Drafted by Camp and Geoffery W. Lewis of GER. Repeated to Frankfurt.

tunate repercussions if impression developed that Gers did not intend abide by commitments.

Erhard emphasized he cld not make any commitment on specific figures or percentages without Cabinet approval, that earlier arrangement based on unduly optimistic view of scrap collections shld be renegotiated.

After mtg Gers took pains to explain to Lewis that Erhard had not meant to say all Ger domestic requirements must be met before there cld be export. Were vague as to exactly what Erhard had meant but implied willingness discuss percentage allocation betw retention and export provided Ger cld be assured "reasonable" amount. Emphasized Ger efforts increase scrap collections.

Assume HICOG will resume scrap discussion upon Erhard's return. [2]

ACHESON

[2] In telegram 251 from London, July 12, Gifford reported that a "FonOff rep" had told a member of the Embassy staff that in view of Erhard's "evasive attitude" in scrap discussions at Washington. British representatives in Bonn would press him upon his return for acceptance of the U.S.-U.K. scrap proposal made on June 26 or for a new German proposal. Gifford added that the Foreign Office saw no purpose in resuming the meeting of the Paris conference on the abolition of the Ruhr Authority until a satisfactory settlement was achieved on the German scrap issue. (862A.3314/7-1251) On July 19, the Department informed the Embassy in the United Kingdom in telegram 456 that it had once again raised with Erhard and his colleagues before their departure for Germany the importance which the United States attached to a satisfactory resolution of the scrap problem, reiterating the arguments summarized in telegram 159. (862A.3314/7-1951) In telegram 93 from the Liaison and Political Reports Division in Bonn to the Office of the U.S. High Commissioner for Germany, at Frankfurt, July 23, McCloy reported press statements that at a meeting with scrap metal industry representatives at Dusseldorf on July 19, Erhard "launched strong plea for necessity of increasing collection of scrap metal in Federal Republic". (Bonn Mission files, McCloy Project, lot 311, D(51)1028)

No. 66

862.19-Ruhr/8-2251: Telegram

The Deputy United States High Commissioner for Germany (Hays) to the Secretary of State [1]

SECRET BONN, August 22, 1951—6 p.m.

121. Ref ourtel to Dept 117, Aug 17, [2] rptd info Paris 52, London 50, Frankfort unn. FedRep scrap proposal recd by US/UK HICOMs

[1] Repeated to Paris, London, Frankfurt, and Dusseldorf.

[2] Telegram 117 reported that negotiations with the Germans on the scrap issue were stalled for the moment pending the approval of the Chancellor and Cabinet of the latest German proposal. It also detailed the provisions of the draft German scrap proposal. (862.19-Ruhr/8-1751)

in Adenauer ltr 20 Aug. Proposal identical to that reported in reftel. In addition to formula Adenauer reserves right rediscuss question with allies in case collections drop below present monthly level 400,000 tons. Proposal formula wld in any case be discussed again after 6–9 months operation.

We regard even an unsatisfactory solution preferable to continuing debate without scrap shipments. Suggest if necessary Fed proposal be accepted after US/UK effort to modify as fols:

1. Revise 60 US/UK, 40 other countries formula to approach previous 75–25 ratio.
2. Freeze export quantities to other countries at about 25,000-ton level with additional export availabilities diverted to US/UK.
3. Formula with first 325,000 for Ger provides only minor incentive for stimulating scrap collections although FedRep alleges present requirements 370,000 tons.
4. Fed ltr ignores our proposal to rescind or modify FedRep regulations requiring collectors to deliver 85 tons internally for each 15 tons of export.

Unofficial indication UK wld agree above contingent on degree of success in modification efforts. In securing UK concurrence we might find it necessary to liberalize portion to UK beyond ⅔rds UK, ⅓rd US mentioned in reftel. [3]

HAYS

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[3] In telegram 133 from Bonn, August 27, McCloy reported that the U.K. representatives on the High Commission were prepared to accept the German scrap-export formula with provision that the export quantities to other countries be frozen at the 25,000-ton level. (862.19–Ruhr/8–2751)

No. 67

Bonn Mission files, McCloy Project, lot 311, D51(1)59

Memorandum by the United States High Commissioner for Germany (McCloy) to the Chancellor of the Federal Republic of Germany (Adenauer)

FRANKFURT, August 27, 1951.

On August 27, 1951, representatives of the Federal Government on the Committee on Coal Distribution Problems Relation to the Dissolution of the DKV presented to a meeting of the Committee a plan which called for the substitution of a single central selling agency for all Ruhr coal for the existing DKV.

From the very outset of our discussions with the representatives of the trade unions and the representatives of the Government we have made it clear that a single central selling agency for coal was

out of the question, and indeed, the representatives of the trade unions and of the government indicated that no such agency was desired, but that certain functions outside of exclusive selling which the DKV performed were desirable. Moreover, and really more important, the maintenance of a single central selling agency is in direct conflict with your letter of March 14, 1951, [1] and with the terms of reference of the Committee.

I am really amazed that at this point the German representatives should not only again raise this subject, but in effect should repudiate the position taken in the letter of March 14, which in itself represented a compromise worked out after much labor and time, with concessions from both sides. The point is one of principle on which no further compromise is possible, particularly as it falls directly in the field relating to the Schuman Plan.

In order to remind those involved of the series of compromises and concessions which have been made following the letter of March 14, I am annexing a statement of these concessions and I urge that from here out the German representatives be instructed to act in conformity with your letter of March 14 and the terms of reference of the Committee in regard to a single central selling agency.

[Annex]

Memorandum Prepared in the Office of the United States High Commissioner for Germany

[FRANKFURT,] August 27, 1951.

COMMITTEE ON COAL DISTRIBUTION PROBLEMS RELATING TO THE DISSOLUTION OF THE DKV

1. In view of the apparent repudiation by the Federal Government's representatives on this Committee and of the Chancellor's letter of 14 March 1951, with regard to the dissolution of the DKV, and their complete disregard of the terms of reference given to the Committee, a very serious situation is presented which makes necessary a review of the developments leading up to the creation of the Committee and the considerations involved.

2. The creation of the Committee was the outcome of a series of events, to wit:

a. Exchanges of letters and several discussions took place with regard to the coal and steel industries and their reorganization be-

[1] See telegram 7411 from Frankfurt, Document 49.

tween representatives of the Allied High Commission and representatives of the Federal Government. Certain concessions were made by both sides from the positions originally taken. On 14 March 1951 Chancellor Adenauer addressed a letter to the Chairman of the Allied High Commission setting forth certain proposals which have been, in general, accepted as the basis for action.

b. In that letter of 14 March the Federal Government recognized that the continuance of centralized sales organizations would be inconsistent both with the Schuman Plan and the provisions of Law 27 and proposed the liquidation of the DKV to be accomplished in stages over a period of time in order to provide an orderly transition.

c. My meeting extending over four hours early in March with trade union leaders including Von Hoff, Wagenfuehr, August Schmidt and Grosse in which the trade union leaders expressed their concern about problems which might arise in the coal industry as a result of the termination of centralized sales. This meeting resulted in my undertaking to include in the transitional convention of the Schuman Plan Treaty specific provisions for a study by the High Authority of the problems alluded to by the unions. It was stated by the union leaders that this would satisfy their concerns. I then obtained the acceptance of Section 12 of the Transitional Convention which contains the agreed provision.

d. The series of conversations between the German trade union leaders who are members of the Schuman Plan delegation, Von Hoff, Wagenfuehr, and Grosse, with representatives of the French Schuman Plan delegation, of which we were kept informed, at which the German trade leaders expressed their concern that the problems to which they had previously alluded might arise within the period between July 1st, the scheduled date for the commencement of the liquidation of the DKV, and the coming into force of the Schuman Plan. At these meetings the German representatives again fully accepted the Chancellor's letter of March 14 and recognized the inconsistency of central sales of Ruhr coal with the Schuman Plan and addressed their attention purely to the need for other solutions of the problems of the coal industry during the interim period. These conversations led to the letter of Foreign Minister Schuman to Chancellor Adenauer of 19 April 1951 stating that a High Commission Committee to deal with such interim problems would be proposed. [2]

e. The meeting of 6 May which I had with the trade union leaders including Imig and Grosse at which there was a reiteration of their acceptance of the Chancellor's letter in its provision for termination of central selling but in which they expressed concern that by reason of the lapse of time, the commencement of the liquidation of the DKV and its transformation into a voluntary organization of 1 July would allow insufficient time for the work of the Committee proposed by Schuman to deal with the interim proposals. The result of this meeting was the preparation of a memorandum by me in which I stated that in order to permit an effective

[2] Reference is to a letter from Schuman to Adenauer concerning the dissolution of the International Authority for the Ruhr. See Document 56.

allocation system to be instituted for the period of shortage I would propose to the High Commission that the date for the commencement of the liquidation of DKV be postponed to 1 October. We were informed by Dr. Grosse that this memorandum was completely satisfactory to the unions and I was called by Von Hoff who said that this action would fully satisfy the condition laid down by the DGB for its approval of the Schuman Plan.

f. The issuance by the High Commission of terms of reference for the Committee which included provisions barring a central sales agency for the sale of coal or coke in accordance with the Chancellor's letter of 14 March and the decision of the High Commission.

g. The luncheon meeting at my home in Mehlem in June with trade union leaders including Von Hoff, August Schmidt and Grosse at which they again affirmed their acceptance of the termination of central selling but objected to the implication which they found in the terms of reference that there would be no permanent organization able to deal with problems as they arose. This meeting and a subsequent meeting between the Economic Advisers and representatives of the Federal Government resulted in making it clear that a permanent agency consistent with the terms of reference could be maintained. The terms of reference were thereupon, with certain other amendments accepted by the German government and adopted by the High Commission.

3. I am advised by one of my representatives on the Committee that, in spite of all of the foregoing history, the Federal Government representatives on the Committee have, from the beginning of its work, adopted an attitude completely inconsistent with the Federal Government's proposal of 14 March, the decision of the High Commission, and the terms of reference of the Committee. *They have indeed gone so far as expressly to repudiate the Federal Government's letter of 14 March*, stating that they did not feel themselves bound by it since the trade unions and industrialists had not been consulted prior to its being sent. In this they of course have repudiated in addition the agreements of the Trade Union leadership itself, which gave rise to the very creation of the Committee. They have consistently stated that they could not be bound by the provisions of the terms of reference of the Committee forbidding the creation or maintenance of a centralized sales agency.

4. In addition, I am advised that the DGB, represented by Von Hoff and August Schmidt, contrary to its previous statements, joined with various special interest groups in vigorously pressing for the maintenance of a centralized sales agency.

5. On their side, the Allied representatives have attempted in the Committee seriously to deal with the problems raised by the Germans and have worked out a proposal, initiated by the French, which I am advised the German representatives themselves say is within the terms of reference and is "workable".

6. At the meeting of the Committee on Friday, August 17, the German representatives stated that they would submit a proposal on August 29, after consultation with the Federal Government. When asked whether this proposal would conform to the terms of reference of the Committee (i.e. would eliminate monopoly selling) they stated they did not know.

7. On August 27, 1951, the German representatives presented to the Committee a plan calling for the substitution for the DKV of a single central sales agency for all Ruhr coal. The plan provided for an Advisory Committee composed of representatives of labor, industry and consumers.

8. The submission by the Germans of this proposal is in conflict with the terms of reference and provokes an extremely critical situation. As you know, the French Schuman Plan delegation has consistently taken the position, which we believe to be correct, that the maintenance of a centralized sales organization dominating the market for Ruhr coal is completely inconsistent with the basic principles of the Schuman Plan. It was on the basis of the German recognition of this fact and the proposals of the Chancellor's letter of March 14 in accordance therewith that the Schuman Plan was initialed and signed. Within the past week my representatives have discussed the matter in Paris with M. Monnet who reaffirmed in the clearest possible terms his position that there can be no Schuman Plan if there were to be a centralized sales agency for Ruhr coal. They also discussed the French proposal with technical experts in great detail and concluded that with certain minor modifications which will be proposed, it fully satisfies the legitimate concerns of the trade unions, a fact which is indeed recognized by the German delegates in pronouncing it "workable".

9. In view of the decision of the High Commission that central sales must be eliminated, and of the fact that such elimination is an essential condition of the Schuman Plan and indeed was proposed by the German government in recognition of that fact, the present German proposal for its continuance would in effect amount to a repudiation of all that has been cooperatively accomplished within the last year. While, of course, such a proposal could not and would not prevent the High Commission from taking the necessary action, the position of the German Government vis-à-vis the High Commission and the Schuman Plan countries would be materially impaired and the opponents of cooperation in the unification of Europe would be tremendously strengthened by an action of the Federal Government which accords with the position taken

by the opposition but is wholly inconsistent with the entire direction of the previous governmental policy. [3]

[3] At the 75th meeting of the Council of the Allied High Commission for Germany on September 27, the Council noted that the report of the Committee on Coal Distribution Problems relating to the dissolution of the DKV was overdue and instructed the Economics Committee to extend to not later than October 15 the date for the submission of the report and to extend to November 1 the date upon which the first steps would be taken in the liquidation of the DKV and the decentralization of the coal marketing organizations. The Economics Committee was also instructed to submit "at the appropriate time" the regulations required for the liquidation of the DKV and the progressive elimination of the centralized sale of coal. The Council agreed that a letter should be forwarded to Chancellor Adenauer informing him of the Council decisions. (Bonn Mission files, McCloy Project, lot 311, D(51)471)

No. 68

Editorial Note

In telegram 949 to Paris, August 13, Acting Secretary Webb inquired about the current status of the Ruhr Conference and negotiations between the British and Germans over the scrap issue. He also asked if the French had renewed their efforts to get the British to withdraw their reservations about signing. In telegram 1262 from Paris, August 28, Ambassador Bruce replied that the French Foreign Ministry had instructed Ambassador Massigli in the United Kingdom to approach the British Foreign Office concerning signature of the Ruhr Conference documents. Massigli was to call British attention to the fact that all other delegates had now received full powers to sign, that the British Delegate had expressed no disagreement to the substance of the documents, and that the British reservation concerning German scrap shipments was unrelated to the Ruhr Authority issue and did not constitute a valid reason to postpone signature. On August 29, in telegram 1229, Acheson informed the Embassy in the United Kingdom that the Department of State agreed with Bruce that it was very important that the British Delegate to the Ruhr Conference be authorized to sign the agreed documents as soon as possible. Minister Holmes in London replied the following day in telegram 1156 that he had raised the point made in telegram 1229 with members of the Foreign Office who replied that, while their government was fully agreed on the need for prompt action on both the scrap and Ruhr Conference matters, the United Kingdom was bound by a ministerial decision that the scrap agreement with Germany must be reached before the Ruhr documents could be signed.

On September 11, Chargé Bonsal informed Acheson in telegram 1559 that the Embassy in France had been holding discussions with

both British Embassy and French Foreign Ministry officials concerning a definitive English text of the agreement terminating the Ruhr agreement as well as other documents agreed to at the Ruhr Conference and that agreement had now been reached. The texts were sent to the Department of State in telegrams 1560 and 1561 of the same date and were agreed to by Acheson in priority telegram 1539 to Paris, September 12. Bonsal had added in telegram 1559 that the only substantive change lay in the desire of both the British and French to keep the documents confidential and to issue a communiqué at the time of signing describing their contents in broad terms. On September 20, in telegram 1450, Holmes in London reported that Foreign Office officials had informed him that the United Kingdom had withdrawn its reservations concerning termination of the Ruhr Authority and was issuing appropriate instructions to its Embassy in France to sign the protocol and related documents.

Another month elapsed, however, before the documents were signed, due largely to a sudden shift in British thinking toward full publication of the documents, while the French clung to an earlier Anglo-French agreement simply to issue a brief communiqué. (Telegrams 1942 and 2203 from Paris, September 30 and October 16, respectively) In telegram 2261, October 18, Bonsal reported from Paris that the French and British had reached a compromise in which the documents would not be released but would be summarized in a more detailed communiqué than the French had at first been willing to accept. Bonsal added that the French had suggested October 19 as the day of signature in order to permit Adenauer to announce fulfillment of the Schuman-Adenauer letter of April 18 on the dissolution of the Ruhr Authority before the CDU Congress scheduled to meet on that day. Bonsal urged the Department to "seize this opportunity to get documents signed" and stated that unless otherwise directed, Bruce would agree to sign the documents on the morning of October 19. All telegrams cited here are in Department of State file 862.19 Ruhr with the exception of telegram 1561 from Paris, September 11, a copy of which is in Bonn Mission files, lot 311, D(51)1360.

The "Communiqué and Agreements Relating to the Termination of the International Authority for the Ruhr," signed at Paris on October 19, is printed in *Ninth Quarterly Report on Germany* (October 1–December 31, 1951), pages 101–109, issued by the Office of the United States High Commissioner for Germany. Copies of the documents signed at Paris on October 19 relating to the termination of the IAR are enclosures to a memorandum by Alexander R. Forest, Policy Reports Secretary in the Office of the United States High

Commissioner for Germany, December 21, CFM files, lot M–88, box 136, IAR Termination.

No. 69

850.33/12–351: Telegram

The Ambassador in France (Bruce) to the Acting Secretary of State [1]

SECRET PARIS, December 3, 1951—7 p.m.

3301. Embtel 3232, Nov 30, 1 p.m. [2] I talked to Rene Mayer this morning about the Schuman Plan. He said that he was confident it wld be ratified by Parliament. Later in day I had long talk with Guy Mollet on same subj. Mollet told me that executive comite of Socialist Party had entrusted him with decision as to how most of the members shld vote on Schuman Plan. He said they had abandoned their idea of insisting on reservations which wld require another conf between member states. They wld express their reservations in course of debate, but the only formal action they wld demand of French Govt wld be in regard to continuance of present investment program for French coal and steel industries. This he said was a matter that he had reason believe wld be acceptable to Pleven. It wld require an understanding between the govt and Socialist Party and wld not be made a condition of the treaty. He therefore felt that Socialists cld go ahead and vote freely for ratification which he said he considered a certainty.

BRUCE

[1] Repeated to London for Gifford, Bonn for McCloy, and Rome priority for Secretary Acheson, who was attending the Eighth Session of the North Atlantic Council.
[2] Not printed.

No. 70

850.33/12–1551: Telegram

The United States High Commissioner for Germany (McCloy) to the Secretary of State [1]

CONFIDENTIAL BONN, December 15, 1951—7 p.m.

743. Adenauer suffered minor but sharp rebuff at hand of Parliament Dec 13 when Council of Elders rejected his request to schedule Schuman Plan debate before Christmas.

[1] Repeated to Paris and London.

Difficulty arose when, at early session of Council of Elders, CSU Horlacher allegedly slightly intoxicated broke coalition front by agreeing to SPD motion to postpone debate till Jan 3 taking with him FDP and DP with CDU abstaining in resultant confusion. Thereupon Adenauer summoned coalition leaders reestablished majority front for debate Dec 18 and thereafter attended second session of Council of Elders where he sharply demanded debate before Christmas on ground he needed early ratification to strengthen hand in coming international conferences. SPD deputies cleverly avoiding issue of Schuman Plan per se, roundly berated Chancellor for his highhanded treatment of Bundestag citing numerous instances in which he had snubbed his own coalition floor leaders. Smouldering resentment of latter was thus aroused and acrimonious exchanges on issue of Adenauer attitude to elected representatives ensued in which Adenauer found himself attacked by all sides. Finally Chancellor apparently lost patience and told his attackers he didn't care what they decided. Council with somewhat sheepish concurrence of coalition representatives then decided to hold debate Jan 9 when Parliament would normally reconvene except for fact Chancellor will be unable to report ratification at Dec 27 meeting of EDC Ministers, no real damage has been done save to his feelings and prestige. Incident may well have salutory effect on tendency of Adenauer to ignore Bundestag and ineptness of his subordinates notably Hallstein in dealing with Deputies. Furthermore by desisting from rushing ratification thru Bundestag Chancellor may have deprived SPD of additional ammunition for attack on plan. There is no reason to believe that ultimate ratification has been endangered. In fact majority reported April at seventy odd may well run to nearer a hundred at final vote.

McCloy

CONCERN OF THE UNITED STATES WITH THE EUROPEAN COAL CRISIS OF 1951

No. 71

ECA message files, FRC 53A278, Paris: Telegram

The Acting United States Special Representative in Europe (Porter) to the Administrator for Economic Cooperation (Foster)

CONFIDENTIAL PARIS, August 18, 1951—9 p.m.

Repto 4077. Personal for Foster from Porter.

1. I am deeply disturbed by outlook for Eur coal supply during next twelve months. I had been aware in Wash of growing deficiency but had not appreciated alarming character of problem until I found opportunity to focus attention on it after arrival here. It now seems evident that requirements of OEEC countries will exceed prospective Eur availability by 30 to 40 million tons in next twelve-month period. It is questionable even with further restoration of moth-ball Liberty ships to service that there will be enough shipping available to deliver this full amount. Some curtailment of steel and indus production with adverse effects upon rearmament is therefore distinct possibility.

2. Assuming, however, US can meet coal deficit, Eur dollar expenditure for imported coal at present prices and shipping rates will be between $¾ and 1 billion, i.e., an amount close to or even exceeding econ aid funds for Eur authorized in House vote Friday.

3. Lag in coal production is most serious single specific failure in Eur economic recovery. Coal production today only 93 percent of prewar compared to index of 139 for all indus production; 108 for elec power; 124 for steel, over 150 for chemicals. Restoration of coal production to prewar level wld eliminate need for any imports from US. Further increase of more 2.5 percent cld end dependence Western Eur on Polish supply and thus wipe out one major element of strong Sov bloc bargaining position for strategic materials from West.

4. Depressing fact is that altho govts of OEEC countries are acutely aware of coal shortage there is no convincing evidence that they are taking effective measures to increase output significantly. Meanwhile quarrels over level of enforced Ger exports may have adverse effects on Schuman Plan and Eur Army.

5. My thinking leads to these conclusions:

(a) What is needed is not more facts, which have been accumulated in great abundance during past six years, but political decisions, especially in UK and Ger, to make major effort to raise production level. Subsequently decisions will have to be taken on numerous policies affecting management and labor and dealing with finance, investment, pricing, employment conditions, trade union policies, migration of labor, housing, and possibly special incentives for both labor and management. Basic fact is that there appears to be ample coal below ground and enough holes to get it out. Principal thing lacking is effective mobilization of human effort.

(b) Problem requires personal leadership of high order. These decisions cannot be obtained by technical comites but only by some personality who is willing to devote his main effort to this job for some months. Person who undertakes to obtain necessary decisions shld be a Eur of broad stature, possessing vigor, imagination, political skill, and willingness to badger and harass Brit and Ger govts into taking measures to increase output, and French and some other govts into taking realistic attitude toward prices and substitution of one quality for another. Action by UK is of primary importance, inasmuch as since nationalization Brit have been indifferent to historic dependence of continent on UK coal exports of 25 to 30 million tons annually. Good response by Brit wld make it easier to get better cooperation from Gers.

(c) Person who undertakes to obtain needed political decisions shld have mandate for [*from*] respected inter-governmental body, for example, OEEC Council of Mins. I believe it is within auth already given to Dr. Stikker by OEEC for him to initiate action, including appointment of someone to proceed along lines contemplated in para above.

6. Subject your concurrence I propose seek early opportunity to discuss coal sitn with Dr. Stikker. If he is receptive, I will suggest he enlist services of some outstanding Eur for perhaps six to twelve months to develop necessary program and induce govts at cabinet level to support it. I am aware of Brit coolness toward Spaak and Monnet, which might preclude use of either for this job, but man required shld obviously have their kind of resourcefulness and drive. Approach to sensitive Brit, who might resent expression of continental concern, wld have to be handled with great care, yet higher UK output is so essential I do not believe issue can be evaded. Persons selected wld probably need small staff of technical aides and also help of several deputies having major political influence, as for example, Sam Watson, who is one of most influential leaders of Brit Mine Workers Fed and is close to govt leaders.

7. I assume appropriate intervention by our missions with UK and Ger govts wld also be necessary, but I think our role shld be to supplement Eur leadership and not to substitute for it.

8. I have discussed foregoing plan with Katz and with appropriate OSR staff who concur in it.

PORTER

No. 72

Current Economic Developments, lot 70D467

Current Economic Developments [1]

[Extract]

No. 322 [WASHINGTON,] September 10, 1951.

. . . . . .

EUROPEAN COAL PROBLEM SERIOUS

US authorities are becoming more and more concerned over the problem of Europe's coal shortage. European coal production has not yet reached prewar levels, consumption has increased, stocks in some countries are depleted, and now the demands of defense production have imposed additional burdens, making it necessary for the US to supply and finance exports of US coal to Western Europe in order to keep industrial output at a desired level for the defense effort. The problem has been complicated by the strategic considerations inherent in east-west trade, since Poland is a major and traditional source of coal for Europe.

The over-all problem is being given consideration at high levels, both in Europe and the US. It is possible that some alleviation will come if the Schuman Plan is ratified, but in the meantime the urgency of the problem increases as winter approaches. An interagency committee is considering placing coal on the Positive List, not because coal is in short supply and not to limit exports, but in order to maximize exports and meet essential foreign needs. Another proposal has been made that OEEC designate a sort of coal czar who would stimulate governments into increasing coal production.

European Coal Outlook European requirements for US coal have fluctuated violently since World War II because European coal mines lack sufficient reserve capacity to absorb even small percentage changes in annual consumption which can amount to large

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[1] A weekly classified publication, prepared by the Policy Information Committee of the Department of State, designed to highlight developments in the economic divisions of the Department and to indicate the economic problems which were currently receiving attention in the Department. It was circulated within the Department and to missions abroad.

tonnages. This fact, added to postwar expansion in industrial activity, accounts for the sudden upsurge in demand for US coal. The current rate of stated demand for US coal for the last six months of calendar 1951 amounts to about 21 million tons, not including the UK. Both current consumption and stockpiling requirements are extremely high owing to inflation and the fear of further price increases as a result of the Korean war, plus the fact that stocks were being depleted prior to Korea. Furthermore, the major coal production countries, utilizing both export differentials and producer subsidies, are following a low price domestic policy which keeps consumption high.

Europe's problem is not a lack of coal resources, but inadequate mining programs. Europe has plenty of coal exploitable, but if Europe is to make a contribution to mutual defense the US has no alternative but to supply and finance it with coal until European coal production becomes satisfactory. European coal production has reached only 93% of the prewar average and is rising slowly, facts which are disturbing as far as defense production goals are concerned. Europe has been able to supply only two-thirds of the total increase in current consumption and a much smaller ratio of total additional demand, including stockpile needs. For these reasons, demands on US coal may go as high as 21 million tons during the balance of calendar 1951. Because this demand is concentrated, loading difficulties make it impossible for the US to supply more than 17 million tons during this period. US coal is more expensive and its purchase worsens the dollar positions of receiving countries; furthermore, shipment of US coal engenders severe shipping shortages, and transportation costs add substantially to the final cost to receiving countries, although this cost may be cushioned if spread over the entire European supply through a pooling scheme.

The rate of coal production in the major Western European producing countries (the UK, Germany, France and Belgium) has increased at the rate of 20 million tons annually since the Korean war. This increase can be attributed to various measures, such as hiring foreign labor, re-opening of mines, extra shifts, military deferment to miners, higher wages, Sunday work, incentive schemes, etc. Western Europe would have to produce an additional 20 million tons over and above this amount in order to meet consumption requirements without recourse to US imports. If Polish coal is written off, the target would have to be raised to 30-32 million additional tons. Since the UK and Germany together account for three-fourths of Western European coal production and have the potential to supply all needs in terms of quality and lowest cost, it is to these two countries that we must look for expansion of coal production. The application of new capital and manpower will yield great-

er results in these two countries than elsewhere in Western Europe.

Dependence on Poland Several Western European countries are heavily dependent on Polish coal, among them Austria, Denmark, Norway and Sweden. The Poles have been demanding strategic materials in return for their coal, which complicates the security problem of east-west trade. We have encouraged Western European countries to be as firm as possible in denying Poland's requests for strategic goods wherever feasible. Norway recently terminated trade negotiations with Poland over Polish demands. Meanwhile, the US is studying ways to make up the deficit which would result if Polish coal were lost to Western Europe. Austria's situation is particularly critical because the physical difficulty of moving US coal to that country makes Austria extremely dependent on Polish and German coal.

United Kingdom Since 1949 consumption in the UK has increased about nine million tons, while production has barely changed at all. There are 20,000 fewer men employed in British mines than in 1948, and only a marked improvement in output per manshift has kept the quantities of coal mined from dropping. Because of this excess of consumption over production the UK, late in 1950, reduced its annual export rate to the Continent from twelve million to four million tons, a cut which corresponds to about one-third the present rate of US exports to Western Europe. Prior to the war the UK was exporting annually 30 million tons of coal to Europe. The UK's basic problem is one of new shaft sinkings rather than one of equipping existing mines with new mechanical devices, since the old mines are too antiquated to benefit from additional modern equipment. This basic reconstruction is progressing but cannot be completed for many years. This is the long-term problem, but it is believed that short-term measures could be taken which would increase British annual production considerably. These would include a six-day week and intensive recruitment of foreign labor, measures which admittedly are fraught with formidable social and economic implications. Meanwhile, the British have decided not to procure US coal this season even though the prospective coal situation for the winter is very dark.

Germany The Germans resent the control of the Ruhr Authority in deciding the amount of coal Germany will export and have put on constant pressure to lower the rate of export of coal from Germany as well as to raise the price of their coal exports. This is a major issue on the German political scene and the Germans are insisting that all arrangements for the termination of the Ruhr Authority be agreed upon before they ratify the Schuman Plan. Agreement to terminate the Ruhr Authority upon coming into

force of the Schuman Plan awaits UK concurrence. This has been delayed until a satisfactory agreement on scrap is reached between the UK and Germany, which now appears imminent.

German production has increased since the Korean outbreak at the rate of 12 million tons annually, an increase which has benefitted the German consumer because exports have not materially increased. Major obstacles to maximum efficiency in the German coal industry are lack of investment capital and shortage of labor, the latter being partially due to lack of incentives, housing, etc.

OEEC and ECE Coal Committees The OEEC and ECE Coal Committees have attempted with little success to induce participating countries to agree to the distribution of European coal on a multilateral basis. Their objectives in such a scheme would be to reduce cross-hauls; to direct special purpose solid fuels, such as coke, which the US cannot supply, to important industries, (i.e. steel); and to control the demand for cheaper coal, mainly from Germany, in order to avoid a major increase in price. The biggest blocks to the Committees' efforts are the bilateral agreements between Germany and certain importing countries, mainly Italy, France, Sweden, Switzerland and Austria. Since these countries stand to have their coal imports reduced by participating in a multilateral scheme, they have at various times refused to cooperate.

Shipping Problem A lack of shipping, overburdened loading facilities, and high transportation costs have added to the complexities of the coal situation. The US has broken out vessels from the reserve fleet to help carry the additional coal tonnages to Europe. Release of still more vessels may be necessary to transport the required tonnage, but until orders are spread among the less favored ports (and sources of supply) the limiting factor will be loading facilities. The OEEC coal supply and distributing subcommittee has also urged the release of additional vessels and has stated that it is impossible to obtain bottoms in the open market at National Shipping Authority (NSA) rates. ECA plans to review the question of shipping rates early this month, since importing countries claim they cannot fulfill their chartering programs unless NSA rates are exceeded. US agencies are considering a proposal to place US coal under export licensing control in order to distribute port facilities equitably, and to direct exports to particular destinations, as well as to maximize exports. The ECE Coal Committee has adopted a loading program for European export availabilities, but since the program involved reduction of German exports below trade agreements commitments to Italy, Sweden and Denmark, it was impossible to get unanimous decision, and the proposal was kept merely as a basis for a provisional loading plan.

No. 73

ECA message files, FRC 53A278, Paris Circular telegram

The United States Special Representative in Europe for the ECA (Porter) to the Acting Administrator for Economic Cooperation (Bissell) [1]

CONFIDENTIAL PRIORITY PARIS, December 28, 1951—11 p.m.

Repto circ 197. 1. In order assure effective action on coal production problem at mtg OEEC mins Jan 11, believe important that PC govts be fully aware, before they instruct their mins of significance of problem and measures that may be necessary to meet it.

2. For this purpose, suggest if you deem appropriate you approach govt at suitable high level and explain sitn along lines indicated below. If you think useful for cabinet to have a memo before it, you may use part or all of substance of paras 3–8 below as an *aide-mémoire.*

3. Production of coal in participating countries is still seven percent below prewar (1937). Before war Europe did not normally import any US coal. Report of experts of OEEC special group for coal which will probably be laid before OEEC ministerial mtg estimates European need for imports US coal in fol amounts: 28 million tons calendar 1952 and 15-25 million tons, 1956. At current landed prices this might represent total cost up to nearly $3 billion including intervening years thru 1956. For fiscal 1952 alone current estimates represent about $800 million, or over ¾ of amount appropriated by Congress for econ aid to Europe for fiscal 1952.

4. Estimates of special group for coal represent a defeatist attitude which is simply unacceptable. As far as can now be foreseen, there wld be no way for Europe to pay for this coal except by continued Amer econ aid. To ask Congress to appropriate such aid to enable Europe to pay for import of a commodity of which it has ample resources and of which it is normally independent of US imports wld be unthinkable.

5. Shortage of coal in Europe even with continuation of imports from US at current rate of 40 million tons per year presents single most serious obstacle to defense effort and econ well-being.

6. Major western European coal producing countries accounting for 99 percent total production (UK, western Germany, France, Belgium, Neths, Saar) produced in 1937 approx 486 million tons while in 1951 they will reach only 455 million tons. France and Saar made considerable progress and have surpassed 1937 produc-

[1] Repeated to all European ECA mission chiefs

tion by 20 percent and 19 percent respectively. Belgium now producing at approx prewar rate, 29 million tons. Neths producing at rate of 12.4 million tons compared to 14.3 million in 1937. The two big producers, UK and western Germany, who account for approx 75 percent total western European production, now producing 8 and 15 percent respectively less than 1937. Whereas Brit's prewar production was 244 million tons, it is now 225 million. Western Germany in 1937 produced 139 million tons and expects to reach 119 million in 1951. Production in recent weeks in western Germany has shown gains which will be encouraging if maintained.

7. Altho individual PC's are making efforts, in varying degrees, to meet this problem, we are convinced that concerted high level approach by OEEC offers best solution (FYI (for your info) only, Stikker has called meeting as result of US urging).

8. In our opinion essential steps that shld be taken at ministerial mtg Jan 11 are:

(a) Adoption of res recognizing necessity and possibility of achieving independence of US coal.

(b) Agreement on procedure to achieve above objective.

9. Believe initiative for working out necessary procedure shld be taken by PC govts, but FYI our tentative view is that procedure might involve establishment of emergency coal board, comite of council, or other appropriate agency, at ministerial level, including reps of principal producing countries and perhaps some consuming countries, to operate under Stikker's chairmanship. Such board wld report thru its chairman on realistic but ambitious program and goal for achieving independence of US imports. (We wld hope this might specify a target date as early as end of 1952, but perhaps this must be left to the body and not prejudged in council res.) We wld hope such body cld make recommendations directly to PC govts, without further council action, on means of achieving fulfillment of program.

10. FYI, types of specific measures which we contemplate appropriate body might recommend under para 9 above, might include longer work week in some areas, with appropriate labor incentives, use of surplus Italian labor, especially in UK, exchange of tech info and other ideas of means of increasing production, adoption of adequate conservation measures in use of coal, use of substitutes such as natural gas etc. We contemplate that ministerial council wld not specify such details in setting up the appropriate body.

11. In view talks already held with Brit, suggest Batt use own discretion as to advisability any further action pursuant this msg.

PORTER

THE WESTERN EUROPEAN AMBASSADORS CONFERENCE AT FRANKFURT, FEBRUARY 5–7, 1951

No. 74

Editorial Note

The Department of State scheduled two conferences for its diplomatic officers in Europe during 1951. The first was for the Chiefs of Mission of United States posts in Eastern Europe and was held in Paris January 30–February 2. Regarding this conference, see Document 610.

The second conference involved the Ambassadors in Western European countries. The agenda for the meeting, scheduled to be held in Frankfurt February 5–February 7, was largely comprised of recommendations made by Assistant Secretary of State Perkins and by the United States High Commissioner for Germany, John J. McCloy. The final agenda, circulated to participants on January 19, included the following major topics: situation reports by each Ambassador, an analysis of the place of Spain and Yugoslavia in the European scene, a report of the status of plans for a European army, Germany's future as part of Western Europe, NATO problems, and a discussion of the pending Four-Power meeting.

Perkins, accompanied by Henry A. Byroade, Director of the Office of German Affairs, chaired the meeting which was held only 3 days after the Chiefs of Mission Conference in Paris. The participants were as follows: David K. E. Bruce, Ambassador in France; Walter J. Donnelly, United States High Commissioner for Austria; Walter S. Gifford. Ambassador in the United Kingdom; Milton Katz, United States Special Representative in Europe for the Economic Cooperation Administration; McCloy, United States High Commissioner for Germany; Robert D. Murphy, Ambassador in Belgium; and Charles M. Spofford, United States Deputy Representative on the North Atlantic Council.

The report of the five sessions held during the conference is printed without its appendixes *infra*. Further documentation on this conference is in files 120.4362A and 740.5 as well as CFM files, lot M–88, box 156, "Ambassadors' Meeting—Frankfurt".

No. 75

120.4362A/2-551

Report of the Western European Ambassadors Conference at Frankfurt

TOP SECRET FRANKFURT, February 7, 1951.
AMCO/SR (51)1

SUMMARY RECORD OF MEETING HELD AT 9:30 A.M., FEBRUARY 5, 1951

The Conference of American Ambassadors to Western European Countries opened at 9:45 a.m. under the chairmanship of Assistant Secretary Perkins.

After a welcoming introduction by U.S. High Commissioner for Germany McCloy, the Chairman requested Ambassador Gifford to present a survey of the situation in the United Kingdom.

ITEM 1: GENERAL REVIEW OF THE SITUATION ON A COUNTRY BASIS

Ambassador Gifford stated that the British Government was at the present time wrestling with the following difficulties:

A. the coal shortage
B. its slim majority in the House of Commons
C. the present meat shortage

With respect to the relationship of Great Britain to Europe and the world, Ambassador Gifford believed the British Government would go along with any reasonable program of German rearmament that might be worked out but would prefer moving slowly until the strength of Allied Forces in Germany has been built up. The recent visit of General Eisenhower [1] had strengthened the British determination to press ahead with the defense effort.

Although Ambassador Gifford felt that the divergence between the U.S. and the U.K. on Far Eastern questions had recently diminished, the anxiety nevertheless continued regarding possible differences of opinion which were aggravated by the delicacy of the British Government's relations with the nations of the Commonwealth. The most serious problem in these relations was the question of India's attitude. It was Ambassador Gifford's view that the other Commonwealth nations would go along with any reasonable agreed U.S.-U.K. policy.

As regards the problem of Communism in Great Britain, Ambassador Gifford stated that the Communist Party there was extreme-

[1] For documentation concerning the tour of the NATO capitals by the Supreme Allied Commander Europe in January, vol. III, Part 1, pp. 392 ff.

ly small and that Communism as such should not be considered as a serious factor.

He noted that the publication of the decisions on the release of the Landsberg prisoners in Germany was unfavorably commented upon in the British press.

In conclusion, Ambassador Gifford stated that the relations between the U.S. and the U.K. were basically sound.

In reply to Mr. McCloy's observation that the criticism of the U.S. appearing in the *New Statesman and Nation* had been extensively quoted in the German press, Ambassador Gifford replied that the magazine reflected the thinking of a small group of left wing intellectuals only.

Ambassador Murphy, in reviewing the present situation in Belgium, remarked that although the country was a relatively small one, its large international business interests lent it considerable importance. Its considerable economic potential could be used to great advantage in building up the military strength of Free Europe. He believed that Belgium would meet its commitments arising out of NATO.

The present Government could not be termed strong, and its majority in both chambers appeared precarious. Should the international situation sharpen, a national coalition government could be expected to emerge.

The large industrial plant of the country could be easily expanded to meet the needs of an increased defense program. Furthermore, the Belgian Congo was a highly important source of raw materials for the U.S., among them uranium, cobalt and tin. Belgium pursued a policy of trade liberalization, and was a strong adherent of free economy. Its finances were sound.

The outlook for a considerable improvement in military preparedness and strength was brightened by the recent visit of General Eisenhower. Belgium's army consisted at present of 65,000 men with a reserve of 50,000, of an airforce of 10,000 and a navy of 6,000. Legislation was pending and would shortly be approved for the extension of military service to twenty-four months; budgetary provisions to cover the expanding army would undoubtedly also be provided.

The Communist strength in Belgium had declined considerably during the past six years (from forty-six representatives in parliament in 1946 to ten representatives in 1951). The Communist vote would not now exceed three to four percent of the voting strength. The circulation of the Communist press had also declined considerably. The government party (Catholic) was planning measures designed to curtail Communist activity.

To Colonel Byroade's question as to how strong the Benelux ties were, Ambassador Murphy replied that this depended on the nature of the problems involved. On things military, for example, the Belgians supported the French, while on Far Eastern questions they tended to side with the Dutch. The rivalry between the ports of Antwerp and Rotterdam also continued although a coordination of agricultural policy was expected to be achieved shortly.

Ambassador Spofford stated that there seemed to be a difference between the attitude of the Belgian and Dutch Governments with regard to the Medium Term Rearmament Plan [2] which the Belgians supported with greater vigor, to which Ambassador Murphy replied that the policies of the Benelux countries were not always consistent.

In surveying the situation in Austria, Ambassador Donnelly pointed out that this small republic was unique in that it was the only spot where the Western Allies still met regularly in council with the Soviets. The present coalition government in Austria was strong and was, therefore, opposed vigorously by the Soviets.

There seem to be two main U.S. responsibilities in Austria:

(1) to support the pro-Western coalition government fully, and
(2) to attempt the completion of negotiations for the State Treaty.

The Communist Party, although small in numbers, was strengthened by the support of the Soviet Army which occupied 35 percent of the country with 50 percent of the population.

In a recent showdown between the Communists and the government on Communist-instigated strikes and disorders, the government law enforcement agencies were successful in handling the situation. [3]

In the face of the incessant Soviet interferences, the Austrian Government had shown a remarkable courage and has, so far, successfully resisted Communistic encroachment. There has been, however, a marked tightening of the situation during the past ten days with the Communists reorganizing and strengthening their strong arm squads in Communist controlled factories. The possibility could, therefore, not be excluded that an attempt will be made in the near future by the Austrian Communists to seize power by a *coup d'etat*. They could have no expectation of seizing control of the entire state, but they could endeavor to obtain a sufficient foothold in the labor and security organizations to be able to dictate terms in the future.

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[2] For documentation concerning this plan, usually referred to as the Medium-Term Defense Plan (MTDP), see vol. III, Part 1, pp. 1 ff.

[3] For documentation on the disorders in Austria during September and October 1950, see *Foreign Relations*, 1950, vol. IV, pp. 404 ff.

The forthcoming election of a new State president could possibly provide a pretext for a showdown. The election of the president by the assembly would necessitate an amendment of the constitution. Such amendment, however, calls for a unanimous decision of all four members of the Allied Council in Austria. The Austrian Government has, however, chosen to have the president elected by popular vote, thus depriving the Soviets of the chance to exercise their veto powers. The Soviet authorities had now come forward with the thesis that the constitution and all laws directly based on it have no validity. Should this position prevail, the whole legal structure of the Republic would be challenged. At the Allied Council meeting on February 9 this question was expected to be decided, Ambassador Donnelly hoped, against the Soviets.

Economically, the country still depended, and would depend for some years to come, on U.S. assistance, for which the country was grateful.

The common Communist tactics of threat and fear were consistently applied in Austria. The Soviet authorities had lately accused us of organizing an Austrian Army and of increasing the *Gendarmérie* in violation of existing agreements.

. . . . . .

To Ambassador Kirk's [4] question regarding the disposition of Austrian oil, Ambassador Donnelly replied that the Soviets controlled production and distribution and made only a small portion of it available to the Soviet Zone of Austria and Vienna, while shipping the bulk to the satellite nations. The Soviets exploited their zone to the full, refusing payment of taxes from their so-called German assets and using railway facilities, etc., without payment. As regards the chances for coping successfully with a Communist attempt to overthrow the Government, Ambassador Donnelly replied to another question by Ambassador Kirk that if Soviet troops did not directly participate in such an action, we believed the Austrian Government would be able to control the situation.

In reporting on the situation in France, Ambassador Bruce stated that the recent visit of Prime Minister Pleven to Washington had proven an unequivocal success.

As to France's internal problems, the question of electoral reform appeared to be the most important one at the moment since national elections were scheduled this year. The present system of proportional representation had enabled the Communists to win 182 out of 620 seats in the National Assembly. This was equivalent

[4] Alan G. Kirk, Ambassador in the Soviet Union, was present for the first day of meetings in Frankfurt.

to 28 percent. In 1946, the Communist popular vote amounted to 29 percent. The proposed electoral reform which would introduce partially the majority system would cut down Communist representation considerably and thus enable the Parliament to function on a more stable basis. Pleven was pledged to get this reform voted, but the possibility could not be excluded of his being overthrown on this issue. His Government would then, in all probability, be replaced by another "third force" government.

In external affairs, the problem of Indo-China caused the greatest concern, although developments there have taken a more favorable turn lately. This could partially be attributed to the presence of General de Lattre de Tassigny. The loss of 26,000 professional soldiers, including a large number of officers and non-coms, since 1946, was especially grave since it would affect the rate of expansion of the French Army. The shipment of U.S. arms and equipment was also an important factor in improving the situation. If the expected Chinese Communist attack did not materialize within the next two months, it appeared possible that it might be delayed until October or November because of monsoon weather. With 162,000 troops engaged in Indo-China, the drain on French manpower and resources was serious. General de Lattre de Tassigny was expected to request an additional 1 1/2 divisions in 1951, which, if supplied, would decrease the quality at least of France's contribution to Europe's defense.

With respect to France's contribution to this defense, two questions were paramount:

A. Will the French succeed in putting ten divisions in the field during this year?

B. Will they play their part in equipping these forces?

While the answer to the first question appeared positive, the outcome of the second remained in doubt. French leaders were, however, strongly determined to realize this program.

In reviewing the Communist problem in France, Ambassador Bruce stated that while the Communist Party in 1946 had 1,000,000 card-carrying members, the membership was estimated today at 675,000. The hard core of resolute and aggressive militarists, pledged to follow Moscow's bidding amounted to only some 20,000 to 50,000.

Although the Communist-controlled unions (CGT) were still considerably stronger than the non-Communist unions (FO and CFTC), it was significant that the Government was capable of suppressing all Communist attempts at sabotaging arms shipments.

In Prime Minister Pleven's view, with which Ambassador Bruce agreed, great numbers of people voted for Communist candidates

more in protest against the economic conditions of the working class than from any sympathy with Communist ideology.

The Communist press had suffered proportionately greater losses in circulation than had the democratic press. Communist penetration of the army was not significant. Measures were being taken to further reduce the number of Communists among the military as well as the civil servants. Furthermore, the Interior Ministry was confident that it would be able to handle any Communist disturbance which did not have extensive non-Communist support.

Financial difficulties remained great and the danger of inflation was constant. Among the chief reasons for this was France's dependence on imports of raw materials.

To Ambassador Gifford's question as to whether the French would fight, Ambassador Bruce answered that in Indo-China the French army had displayed a remarkable fighting spirit, high morale, and great valor. French resistance to a Soviet attack, however, would be contingent on their confidence that sufficient strength and armaments would be available to give such resistance some prospect of success. In his opinion, a great number of French people still believed that an occupation would be preferable to a hopeless fight involving the physical destruction of France.

In reviewing the present situation in the Soviet Union, Ambassador Kirk underlined the inflexibility of the Soviet situation. He stressed the monolithic structure of the Soviet system headed by Marshal Stalin, under whom the Politburo supervised the activities of the 60 ministers. In Ambassador Kirk's opinion Prime Minister Stalin still was the leading Soviet figure. When he last saw Stalin in 1949 his health appeared to be good and he displayed remarkable mental ability. He probably would continue to guide the destiny of the Soviet Union for the indefinite future. Since Stalin had succeeded in returning to the Russian Empire vast lost areas and since incessant propaganda proclaimed that he had introduced a remarkable betterment in the condition of the masses, he was genuinely accepted by a large proportion of the Soviet people as a symbol of Russia's greatness.

It could not be denied that a remarkable progress in the development of industry had been made since the last war. Grandiose projects for a further increase of industrial capacity were planned. Steel production had reached a level of 27 million tons a year amounting to 1/4 of U.S. production.

Military spending accounted for the largest slice of the budget, with heavy industry as second and consumer goods as third. It was estimated that 4 million men were under arms; 1/2 million in the navy; 1/2 million in the air force; 1/2 million in the security police; and 2 1/2 million in the army. The troops were stationed on the

periphery of the Soviet Union and were ready to move on short notice.

The virulence of Soviet propaganda directed against the West and especially against the United States was remarkable. Since it was fed to the Soviet people for a considerable length of time, it was unavoidable that a great proportion of the population came to believe it. Our propaganda, on the other hand, has had very little effect on the Soviet people. This is mainly due to the successful interference with our Russian-language radio programs. The penetration of the Soviet Union by other means appeared almost impossible since the frontiers were hermetically sealed.

It appeared, moreover, that the Soviets still adhered to their expectation of an impending deteriorating of the capitalist system which would enable the Soviet Union to achieve its objectives without the expenditure of blood and treasure. The Communists would continue to work for the economic collapse of the democratic countries of Western Europe, like France and Germany. This would, in their opinion, leave the U.S. isolated and it could then be subjugated easily by military force.

The Sino-Soviet treaty caused some concern because of the mutual assistance provisions of Article I of the treaty. The Soviet press has recently been pressing the point that Japan is allied with the U.S. in military operations in the Far East, and this press campaign may be laying the basis for possible Soviet intervention in any conflict between China and the U.S.

The relationship between Moscow and Peiping differed from that existing between Moscow and the satellites. The latter were treated as inferior powers, while China was treated by the Soviet Union more like an equal.

Soviet relationships with its other Asiatic neighbors should also be watched carefully, especially the relationship with Iran whose oil constituted a great temptation. Iran's policy toward the Allies has of late, also deteriorated, while Turkey continued to maintain its strong stand vis-à-vis the Soviet Union.

With regard to Soviet reaction to German rearmament, Ambassador Kirk stated that an Allied action which would bring the military strength of the Federal Republic on a par with that developed by the Soviet Union in the East Zone might not provoke Soviet aggression. Should, however, West German military strength be developed in the magnitude of, say, 50 divisions, this could provoke Soviet aggression.

Taking into consideration Stalin's achievements to date, he might not wish to risk his assured place in history and the present predominant position of the Soviet Union in a world war. On the other hand, vanity and the flattery of advisers might cause him to

take the decision for war on the basis that the chances for Soviet victory appeared more favorable today when they would be in the future.

Assistant Secretary Perkins remarked that the consensus at the Paris meeting of the U.S. chiefs of mission was that there were no signs of preparations for immediate hostilities although the buildup of military strength continued. It was reported, however, that in Budapest construction of air raid shelters was proceeding on a night-and-day basis. Ambassador Kirk remarked that no new activity for defense such as the building of air shelters or balloon barrages, could be observed in Moscow when he left on December 4.

In reporting on the German situation, United States High Commissioner McCloy stressed the remarkable progress made in Germany since the last Ambassadors' meeting. [5] Not only had the government stabilized its position but the Parliament had also shown signs of increasing maturity. The economic progress in terms of productivity continued. Unemployment was, however, still serious, while the lack of housing continued to be a serious problem.

The community was understandably nervous and uneasy under the increasingly strong pressure from the East. Although the Communists, as a party, had lost all influence, their propaganda succeeded in instilling a desire for neutralization in a considerable segment of the population.

The appeal which unification held for them called for the clarification of the position to be taken at any forthcoming Council of Foreign Ministers meeting. Mr. McCloy stated that the German people were anxious for unification. Although most Germans desired integration with the West, neutralism would be accepted by them if they thought that fighting on the side of the Western Powers would mean defeat.

The ambivalent character of the Germans had to be taken into consideration. There were certain elements which were disposed to align Western Germany with the East. On the other hand, Dr. Adenauer preferred the present situation as against a unified but neutralized Germany, which would, in his opinion, inevitably be absorbed into the soviet orbit.

The Grotewohl letter [6] and the resolution of the Soviet Zone Parliament proposing conferences on German unity had stirred the country. [7] The position of the Evangelical Church, exemplified by

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[5] For documentation concerning the Ambassadorial meeting held in Rome, March 22-24, 1950, see *Foreign Relations*, 1950, vol. III, pp. 795 ff.

[6] For documentation concerning Grotewohl's letter to Adenauer of November 30, 1950, see *ibid.*, vol. IV, pp. 668 ff., and vol. III, Part 2, pp. 1747 ff.

[7] For documentation concerning the Volkskammer resolution of January 30, see *ibid.*, pp. 1751 ff.

Pastor Niemoeller, accentuated the instability of German public opinion on German unification.

The German people's general attitude with regard to participation in Western defense paralleled closely that of the French. The Germans would fight if they felt that Allied strength, together with German forces, would be strong enough successfully to resist Soviet aggression.

The Soviets had developed in their zone paramilitary forces numbering approximately 50,000. It appeared that the intention of the Western Allies to strengthen their military power had acted as a deterrent to further expansion of these German forces. There had been, however, a purge of unreliable elements and a considerable sharpening of their military training. This force could be expanded rapidly to a strength of 250,000. In addition there were 35 Soviet divisions ready to march at any time.

Mr. McCloy stated that whether we should rearm Germany or not, we had to adopt a vigorous, consistent policy if we aspired to keep Germany on our side. We had to be more imaginative and active, and less hesitant and vascillating. Time was running out. Constructive measures had to be taken now, without paying too much attention to Western opinion.

Instead of discussing the German situation in terms of limitations such as those imposed by PLI, ISG and the replacement of the Occupation Statute by contractual agreements, we should proceed to envision a broad, positive program of integration of Germany as an equal partner with the West.

With regard to criticism leveled in Great Britain at decisions reducing sentences of war criminals imprisoned at Landsberg, Mr. McCloy referred to the reasoning which led to these decisions, incorporated in a HICOG brochure. Mr. McCloy said that these revisions had been made in an attempt to bring the sentences into line with the American concept of justice.

SUMMARY RECORD OF MEETING HELD AT 2:00 P.M., FEBRUARY 5, 1951

AMCO/SR(51)2

ITEM 2: EUROPE'S RELATION TO THE REST OF THE WORLD

The Chairman stated that in Washington, agreement existed that Europe was of first importance. He said the question was whether Europe could get along if Asia were lost. The Chairman said that the thinking of the group present on this question would be helpful to the Department.

Ambassador Gifford thought that the U.K. Government concentrated its efforts in Asia on keeping India on their side since it felt that its loss would lead to the loss of other Asian commonwealth

nations and finally to the disintegration of the Commonwealth itself.

The Chairman proposed to return to consideration of this question in the course of one of the next meetings.

ITEM 3: SPAIN AND YUGOSLAVIA'S PLACE IN THE EUROPEAN SCENE

The Chairman discussed the question of associating Spain with Western Defense. He summarized the paper adopted by the NSC on February 1 in which it was agreed that we should go ahead and try to get Spain lined up on our side. The procedure would be to get the support of France and the U.K. in the first instance, and then that of the other NATO countries. The Chairman explained that while the JCS had originally thought of the Spanish contribution to Western Defense in terms of troops, the emphasis now was on air and naval bases.

Ambassador Bruce stated that in view of the strong anti-Franco sentiment of the French Republic in general and of the trade unions in particular, Spain's inclusion as an active member of the NATO should not be raised, at least pending new elections. Pressing for Spain's inclusion in NATO would produce a negative emotional reaction which would retard the acceptance of Spain as a military partner. There was the danger of such a move being interpreted as a strategic decision to withdraw to the Pyrenees, thus throwing doubt on the Allied ability and will to defend continental Europe.

Ambassador Murphy stated that the Belgians took a realistic view on Spain's participation. Holland's position was unknown, but Italy, although unwillingly, agreed to association of Spain in the defense effort. Mr. McCloy stated that while ideological difficulties would not be encountered in Germany, he feared an adverse psychological reaction regarding Allied intentions of defending Germany.

Ambassador Gifford stated that the U.K. Labor Government was unalterably opposed to associating Spain with the NATO organization.

The consensus was that the gradual association of Spain with the defense of Western Europe was desirable; that because of political factors in Western Europe, no attempt should be made now to associate Spain multilaterally through NATO; that the approach should be bilateral (U.S.-Spanish) with minimum publicity.

ITEM 4: STATUS OF PLANS FOR A EUROPEAN ARMY

Ambassador Bruce began by saying that the conference to be held in Paris on the creation of a European army was postponed to

February 15 and that a memorandum of the French presentation would be circulated in advance. [8] There existed a serious desire on the part of the French Government to realize this project which was considered by leading French statesmen as an important further step in French policy for European integration, paralleling in the military field what was to be accomplished in economic field by the Schuman Plan.

The basic principles, as now conceived by the French, were that the European Army's functions were to provide completely trained divisions to the NATO commands, but to have no authority in matters of command and armaments.

Although the plan was not yet available on paper, it appeared that the French envisaged the appointment of a High Commissioner for the European Army who would be responsible to a Council of Defense Ministers of the participating countries and the corresponding German official. An Assembly consisting of parliamentary representatives of the participating countries and having advisory powers only would be established. One of the first tasks of the High Commission would be to work out a common budget and a common set of military regulations.

In discussions as to the strength of units, it was noted that the strength of regimental combat teams appeared to be rather flexible.

Mr. McCloy made a detailed report on the High Commission's negotiations with the Germans concerning their participation in Western Defense. (A summary of these negotiations is attached as *Appendix "A".)* [9] Mr. McCloy subsequently pointed out that the Germans were prepared to accept the concept of a European army, and apparently did not wish to create a national military force.

Ambassador Bruce stated that, in his opinion, it was of paramount importance to France to obtain firm German integration with French forces even if nobody else would join. The French considered this preferable to allowing Germany to develop its military potential alone. He also expressed the view that General Eisenhower will succeed in obtaining the size and type of unit which best suited the over-all scheme.

Mr. McCloy also pointed out that the structure of the 10,000 man unit which the Germans had proposed, seemed especially suited to offset the Soviet masses with great fire power and mobility.

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[8] For documentation concerning the Conference for the Organization of a European Defense Community, see vol. III, Part 1, pp. 755 ff.

[9] Appendix A, not printed, described in four pages the present status of negotiations concerning "German Defense Participation" and the problems that stood in the way of creating a Western European army. For documentation on the meetings at Bonn held to discuss this question, see *ibid.*, pp. 990 ff.

ITEM 5: GERMANY'S FUTURE AS PART OF WESTERN EUROPE

Mr. McCloy stated that the main political and economic developments were set forth in detail in the HICOG briefs, and proceeded to the discussion of a possible U.S. position at any CFM conference which may be held as a result of the Soviet request for such a meeting. [10]

The U.S. had, for a long time, advocated the policy of German unification based on such things as free elections and freedom of political parties throughout Germany.

The East German authorities had recently come out with proposals for unification which went far beyond the proposals made in Prague. Even if these offers were made in good faith, it was evident that the Soviets would not agree to German unification without neutralization. On the other hand, it appeared fantastic to suppose that Russia would ever relinquish such immediate benefits as its strong position in Eastern Germany, and its control over the uranium mines in Saxony for possible long-term benefits to be derived from a unified, neutralized Germany.

There existed a great sentiment for unification among the German people, strengthened by their apathy and fear of another war.

Both Dr. Adenauer and Dr. Schumann [*Schumacher*], however, realized that Germany's neutralization must inevitably lead to its absorption by the Soviets.

Berlin constituted another problem intricately connected with the question of unification. It stood to reason that should we refuse to go ahead with unification and, by implication with German neutralization, Berlin might again be subjected to a serious attack. It was doubtful whether we would be in a position now to defeat another blockade. Although Berlin's economy had improved, its situation behind the Iron Curtain made it extremely vulnerable. Recently there had been troop reinforcements close to Berlin, whose population constituted our staunchest supporters in Germany.

Should Germany be unified, the problem of Berlin would be solved, since that city would again become the capital of a unified Germany. Should we be placed in a position of blocking what appeared to be a reasonable plan for unification, this could mean the loss of Berlin, a serious reversal for our policy in Germany and in the whole of Europe.

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[10]For documentation concerning the Four-Power Exploratory Talks at Paris, held to prepare an agenda for a possible Council of Foreign Ministers meeting, see vol. III, Part 1, pp. 1086 ff.

Mr. McCloy stated that for these reasons he viewed the proposed CFM with great trepidation, and that we must steer a course which would not jeopardize our objectives.

At the Chairman's request, Col. Byroade outlined current Washington thinking on the position to be taken at the CFM.

Col. Byroade stated that there has as yet not been a crystallization of views on the problem. While the Russian specialists consider that the Soviet Union would never give up an area which they controlled so solidly, the German specialists felt that the signs indicated that there was a decided possibility of substantial concessions from the Soviets to attempt neutralization of Germany.

On the other hand, it was realized in Washington that the neutralization of Germany would weaken the rearmament effort in the Low Countries and Scandinavia, and eventually in France. In that case, public opinion in the U.S. might also turn, since the U.S. has come to regard German rearmament as necessary to successful defense of Europe.

Germany was not a negotiable item at the present time. It could not be bartered for an easing in tensions. Therefore, conclusion of the Austrian Treaty and the departure of the Soviet Army from the satellite areas should be prerequisites to any agreement on Germany's unification.

Col. Byroade then referred to a paper prepared in GER which discussed possible U.S. positions at the CFM. (For contents of this paper, see *Appendix B–2*, AMCO/SR(51)2, containing four commitments which should have to be avoided.) [11]

After considerable discussion the meeting felt that if the Soviets would not agree to conditions which would generally relieve the existing East-West tension, the four points contained in Col. Byroade's paper should be recommended for consideration as the U.S. position in the forthcoming CFM.

Col. Bonesteel asked whether our present difficulties were not caused by our loss of the propaganda war. He considered the delaying of the CFM essential, and referred to statement by Mr. McCloy, who had advocated the view that all available time should be used for rapid increase of Allied strength.

The Chairman stated that should we reverse our position on NATO for the sake of trying to reach questionable agreements with the Soviets, we would have to face the slackening of the will to rearm at the present time evidenced by the West European countries.

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[11] Appendix B–2 is not printed. The original draft of this paper, dated December 28, 1950, is in vol. III, Part 1, p. 1048.

The discussion of the subject was postponed pending the decoding of the Soviet reply to the latest U.S. note on CFM, [12] which it was learned had just been delivered.

The meeting adjourned at 5:30 p.m. to reconvene at 9:30 a.m., Tuesday, February 6, 1951.

SUMMARY RECORD OF MEETING HELD AT 9:30 A.M., FEBRUARY 6, 1951

AMCO/SR(51)3

ITEM 6: NATO PROBLEMS

At the Chairman's suggestion, Ambassador Spofford outlined the structure of the North Atlantic Treaty Organization and pointed out the areas of conflict which had caused public criticism of the organization's slowness in achieving results. He outlined the Canadian proposals for the reorganization of this structure, which is now actively under discussion in the Council Deputies, and presented briefly his own compromise position which he had presented in Washington.

The main point of debate on the reorganization of the NATO had been the continuation of the Defense Committee and the form it was to take if continued. Ambassador Spofford stressed the importance of receiving instructions. His compromise proposal, which was under discussion in Washington, provided for a council whose members were to represent governments and a defense committee to serve the council in an advisory capacity.

It was agreed that this proposal was generally acceptable to the Ambassadors and that an appropriate cable should be dispatched to Washington. [13]

ITEM 6(3): PRODUCTION PROBLEMS

Ambassador Spofford outlined the difficulties facing NATO in the production of goods for Western defense. In the past the agencies concerned with effecting military production had been at too low a level and had suffered from lack of coordination. Recently these agencies had been reorganized and a twelve-man Defense Production Board established consisting of representatives of the member nations of NATO, headed by a coordinator. It was hoped that this higher level board would be able to expedite production of defense materials. It was hoped that the past experiences and the

[12] For text of the note by the United States and the Soviet reply of February 5, see vol. III, Part 1, pp. 1065 and 1070.

[13] The agreed proposal was transmitted to the Department of State in telegram 6517 from Frankfurt, February 6. (120.4362A/2-651) For documentation on the reorganization of NATO, see *ibid.*, pp. 1 ff.

data compiled by previous agencies would enable the newly named coordinator, Mr. Herod, to speed up production.

A general discussion disclosed that it had been heretofore impossible to agree on an over-all plan for standardization of military supplies in the member nations of NATO or to determine what particular items would be produced in the various countries. In the absence of such an over-all plan, France, the U.K. and Italy had formulated plans of their own which considered their own needs rather than those of countries which might have surplus manpower but lacked the industrial potential to arm them. Other countries with industrial surplus (particularly Belgium) were capable of producing far more arms than their small national armies would require. The problem was, thus, to start production immediately in these countries pending the development of an overall plan. It appeared that these requirements could be met only through budgetary appropriations by the countries with surplus industrial capacity. It would, however, be difficult, if not impossible, to convince the Finance Ministers to say nothing of the Parliaments of these countries that they should supply funds without knowing what these funds would be spent for. It would be politically easier in these countries to appropriate funds for certain numbers of tanks, guns or ammunition, rather than to appropriate funds for unspecified purposes.

Since no multilateral plan could be expected to be developed in the immediate future, it was important for the U.S. to negotiate bilaterally with all governments concerned to attempt to induce them to include appropriations for defense production within their budget and to provide them with as much detail as possible as to the use which would ultimately be made of these funds.

It was the understanding of the meeting that Ambassador Murphy would draft recommendations along these lines to be despatched to the Department. [14]

ITEM 6(2): ECONOMIC PROBLEMS

Ambassador Katz outlined the economic situation in Europe, pointing out that the total armament load asked of European countries did not exceed their ability to produce without radically lowering living standards. Thus the problem was not essentially an economic one, but was rather political and psychological. The European nations must be brought to believe that they are being treated fairly and their contribution to their own defense was in their

[14] These recommendations were transmitted in telegram 6537 from Frankfurt, February 7. (120.4362A/2-751)

own imperative interest, not a favor which they are doing for the U.S.

Ambassador Katz, in discussing U.S. aid to Europe, emphasized that the objectives of ECA and MDAP economic aid were similar, that both were U.S. forms of assistance and that they could not be separated if our objectives were to be obtained without loss of efficiency and consequent misapplication of many dollars. They must be under one head and run as a unit. He further pointed out that availability of raw materials rather than the question of U.S. dollars would be increasingly the problem. The allocation of raw materials would become a matter of economic assistance and control of materials should be integrated with the other two programs. He concluded by stressing that though the Marshall Plan itself was decreasing in size, U.S. economic assistance, whether indirect as in grants of defense materials or direct, was still invaluable to the accomplishment of U.S. objectives.

ITEMS 6 (2) A & C: EQUALIZATION OF BURDENS AND RAW MATERIALS PLANNING

Since these subjects were adequately covered by NATO papers included in the HICOG briefing book, there was no discussion on these items. [15]

ITEM 6 (2) E: RELATIONSHIP OF NATO, ECA AND OEEC

Assistant Secretary Perkins asked the meeting to consider the "Relationship of NATO, ECA and OEEC."

Considerable discussion developed and the meeting generally agreed that some reorganization of the relationship between these agencies was necessary.

The meeting recessed at 12:30 p.m.

SUMMARY RECORD OF MEETING HELD AT 2:30 P.M., FEBRUARY 6, 1951

AMCO/SR(51)4

ITEM 6 (2) E OF AGENDA: RELATIONSHIP OF NATO, ECA AND OEEC

The Chairman opened the session by stating that the discussion of Agenda Item 6 (2) E would continue.

The meeting discussed at length Department Cable sent Frankfurt Circ. 454 (attached as *Appendix "A"* to AMCO/SR (51)4 [16] concerning the relationships between the Embassies, NATO and ECA.

[15]The NATO papers on equalization of burdens and raw materials planning are not printed.

[16]Appendix A, Department of State circular telegram 454, February 6, is not printed.

This discussion centered around the functional responsibilities of various agencies and the need for coordinating their programs. It was generally felt that this coordination will be enhanced by a move of the headquarters of the various organizations to the same location. The consensus was that the most appropriate location for this centralized headquarters would be in Paris but that the large part which General Eisenhower's headquarters would play made it mandatory that his wishes be respected.

Ambassador Gifford pointed out that the British would oppose any move of NATO-organizations from London but felt that this opposition would be lessened if General Eisenhower were to express his desire for the move.

General discussion of means of accomplishing closer coordination and of eliminating duplication between the U.S. international agencies operating in any one country disclosed general agreement among the Ambassadors as to the form such a reorganization should take.

It was agreed that a working party should draft a reply to the Department's Cable for consideration of the Ambassadors and that Ambassadors Bruce and Katz would frame the long-term recommendations of the Ambassadors.

In the course of the afternoon the working group to formulate a reply to the Department's Circular telegram returned a draft which after some discussion, was agreed and dispatched as SecState 6511, Frankfurt to the Department. (Attached as Appendix "B" to AMCO/SR(51)4 [17])

ITEM 8: FOUR-POWER MEETING

The text of the Soviet reply of February 5 to the U.S., British and French notes dated January 23, 1951 on the subject of a four power foreign ministers' meeting (See *Appendix "C"* to AMCO/SR(51)4 [18]) having been received, the meeting turned to discussion of this note.

Mr. McCloy, analyzing its contents, pointed out that the note appeared to be somewhat broader than the former Soviet approach which would limit talks solely to German rearmament; moreover, the present document mentioned the question of Western rearmament and thus offered an opportunity to focus the attention of world opinion on the large-scale rearmament and remilitarization which had gone on in Soviet areas.

In accusing us of wishing to present them with a *fait accompli* as regards German rearmament, the Soviets were subject to an Allied

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[17] Appendix B, telegram 6511 from Frankfurt, February 6, is not printed.

[18] Appendix C is not printed, but see footnote 13 above.

counter attack, especially as regards rearmament of the Soviet Zone of Germany, the satellite violations of the peace treaties, Korea, Czechoslovakia, etc. In attacking Adenauer and Schumacher, the Soviets had given us an opportunity to bring those two closer together by defending them.

Colonel Byroade noted that the Soviet proposal called for a Council of Foreign Ministers Meeting, not a meeting of the four Foreign Ministers and hence, that the meeting be conducted within the terms of the Potsdam Agreement.

Various lines of approach to the note and to the entire subject of discussions with the Soviets were explored. The greatest interest centered around the definition of steps which would have to be taken to reduce the causes of international tensions in a manner acceptable to the U.S., and it was agreed that the principal causes should be stated in the reply to the note.

Two questions were raised in this connection:

(1) How should the note be answered? and,
(2) If a meeting developed, what should be the U.S. approach?

In Ambassador Bruce's opinion, the United States position taken at previous CFM meetings concerned itself too much with the analysis of the Soviet approach and the determination of possible concessions by the Russians which would enable at least partial agreement. The time had come for the United States to take an aggressive stand and state flatly the terms under which the United States would consider a broad agreement, relieving the present world tension, possible. The nine points mentioned in this connection by Ambassador Bruce coincided largely with those contained in a British position paper regarding the forthcoming CFM. These points were:

1. The dissolution of the Cominform;
2. cessation of Soviet propaganda;
3. cessation of fostering insurrection in areas outside the Soviet orbit;
4. free elections under UN supervision in the satellite areas;
5. reduction of the armies of the Balkan satellites in accordance with the peace treaties;
6. agreement to general disarmament and atomic control under international inspection;
7. immediate cease-fire in Korea;
8. regulation of the Formosa problem under auspices of the UN;
9. affirmation of the UN Charter provision on non-aggression.

If the United States would come forward with such a broad program then the failure of the Soviets to agree in its implementation would put the onus squarely on Soviet shoulders.

A proposal to limit U.S. proposals for the CFM agenda to European questions was opposed by Colonel Byroade. He stated that it

would not be opportune for Secretary Acheson to discuss solely European questions while U.S. troops were engaged in Korea. During the subsequent discussion it was agreed that not all of the points mentioned should necessarily be either used in the reply to the Soviet note or included on the agenda. It was also agreed that the reply reject the allegations regarding Adenauer and Schumacher. General Handy remarked that to the common man the Soviet note would appear to be a favorable reply and that it would be difficult to take a negative stand.

Mr. McCloy pointed out the implications of a possible agreement on Berlin, on the general U.S. position in Europe, and on the will to get forward with defense in Europe should the meeting lead, against expectations, to Germany's unification and neutralization.

Ambassador Gifford and Mr. Holmes expressed the view that the Soviet note would be considered by the British Government as making Allied attendance at a preliminary conference with the Soviets to determine the agenda for a possible CFM impossible to decline.

Ambassador Bruce stated that the same attitude would be taken by the French Government.

It appeared to be generally agreed that Ambassador Katz's suggestion of a strong propaganda drive to accomplish whatever line was adopted must be implemented immediately.

In view of Secretary Acheson's press conference scheduled for Wednesday morning it was agreed on Mr. McCloy's suggestion that the Ambassadors' views concerning the Secretary's approach in this press conference should be cabled and that general discussions be resumed at the fifth session. (The Ambassadors' views as drafted by Colonel Byroade and Mr. Reber, Col. Gerhardt and Mr. Trimble were dispatched as Frankfurt Cable 6518 to Department. [19])

Ambassador Spofford circulated a paper on Germany's relationship to NATO for discussion at the next session.

The meeting subsequently considered Paris telegram on the Schuman Plan addressed to the Department and HICOG for action. This message contained Netherlands' proposals watering down Articles 60 and 61 of the Schuman Plan. Since the message was addressed to HICOG rather than the Conference, the meeting agreed that no action was called for.

The meeting adjourned at 5:55 p.m. to resume in the fifth session at 9:30 a.m. on Wednesday, February 7.

SUMMARY RECORD OF MEETING HELD AT 9:45 A.M., FEBRUARY 7, 1951

AMCO/SR(51)5

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[19]Telegram 6518 from Frankfurt, February 7, is printed in vol. III, Part 1, p. 1073.

Consideration of Policy on Publicity

The Chairman, Assistant Secretary Perkins, when asked about a communiqué regarding the conference, stated that the conference should be considered on par with departmental meetings. In analogy, no communiqué should be published and no information given to the press as to items discussed.

ITEM 6–D(B): GERMAN PARTICIPATION IN THE SCHUMAN PLAN

Mr. McCloy reported that US HICOG had spent considerable time and effort in trying to influence the German authorities to play a positive role in bringing the negotiations on the Schuman plan to a successful completion.

With the French staying in the background and the British believed to be engaged in undercover maneuvers against the plan, we have felt justified in exercising pressure on the Germans. There were many difficulties of an economic nature involved in the realization of the plan, as outlined in the HICOG brief on the subject. It seemed, however, that these difficulties were almost overcome. Mr. McCloy concluded by stating that there was "a prospect of a dawn" as regards the Schuman Plan.

Assistant Secretary Perkins remarked that Secretary Acheson was actively interested in the Schuman Plan and had inquired whether we were doing all we could in Germany to help the plan along.

Mr. McCloy replied that the question was whether we were not doing more than we should. He felt that this was justified since utmost importance for future fundamental developments in Europe should be attached to the realization of the Schuman Plan.

ITEM 6–F: PROBLEMS OF EAST-WEST TRADE

Mr. McCloy outlined the serious implications involved in the problem of East-West trade.

The strict enforcement of control lists met with some German resistance since other West European countries did not enforce them with the same vigor which we demanded of the Germans. Moreover, certain border areas depended on raw materials which could only be obtained from East Germany. As a result, border controls were not strictly enforced.

At Mr. McCloy's request, Mr. Cattier, Director of Office of Economic Affairs, HICOG, and chief of ECA Mission in Germany, supplemented Mr. McCloy's report by stating that there was good cooperation from high German authorities. Cooperation down the line of the administrative machinery was, however, less satisfactory. This could be due to the fact that German administration has

been but recently created. There has been an improvement in the situation during the past three or four months which was coupled with an increase in border control personnel.

The alternatives to the present situation were:

1. Enforcement of complete control of trade with the Soviet orbit and East Germany.

This would lead to severe retaliatory measures and perhaps to a new Berlin blockade. It would also necessitate complete control of trade which would result in the need for greater dollar aid to Western Germany.

2. Introduction of partial controls whereby certain goods would be subject to export prohibition.

3. Introduction of straight barter deals negotiated on an individual basis.

Subsequent discussion brought to light that there had been an increase of 100 per cent in Berlin's trade during the past several months.

Mr. Katz relayed Ambassador Kirk's view that the possibility should not be excluded of the Soviet orbit terminating East-West trade on its own initiative. This view was based on the fact that the whole orbit area was making progress in achieving autarchy and, although such a step could lower their standard of living, they might consider that the cessation of East-West trade would hurt Western Europe more.

Consideration of Cable Reply to Washington Circular 454 on Relationships Between Embassies, ECA Missions and MAAG

The Chairman reviewed the draft reply which was approved with certain modifications.

ITEM 6: NATO PROBLEMS, GERMAN ASSOCIATION WITH NATO

Ambassador Spofford commented on a paper circulated at the previous session and outlined the desirability of associating Western Germany with the NATO. In the meantime there should be participation by German representatives in NAT organizations as appropriate. He pointed out that some thinking favored an indirect association through the OEEC. He inquired of Mr. McCloy as to the German reaction to association with NATO. Mr. McCloy replied that German reaction was at first unenthusiastic. This attitude had, however, changed as of late, becoming more favorable although there was no eagerness as yet to join. The German complex on the question of "equality" was injected also into this problem.

After further discussion, the meeting agreed that no move should be undertaken for the time being on Germany's association with

NATO until German developments, as a whole, had made more progress. The discussion brought to light that German industrial potential has so far been left out of NATO planning.

Ambassador Katz stated that it was intended to have Mr. Batt, the U.S. representative on the Supply Board, work through Directors of Industrial Divisions of all ECA missions thus assuring the necessary contacts and coordination.

ITEM 7: COORDINATION OF PSYCHOLOGICAL WARFARE PROGRAMS

The Chairman requested Mr. McCloy to outline the problem.

Mr. McCloy saw no need to emphasize the importance of psychological warfare to the attainment of U.S. objectives since the Ambassadors were already aware of the need for emphatic action in this sphere. He pointed out that Soviet propaganda is having considerable impact on the people of Germany who are influenced by the Communist propaganda lines, such as neutrality and the peace front even though they do not vote as Communists or subscribe to Communistic ideologies. He pointed out that U.S. efforts alone would not be adequate to attain our objectives, nor would the efforts of any single nation. It was necessary, in Mr. McCloy's opinion, to stimulate all of the free nations to do more in the field of propaganda. The present propaganda effort would gain in effectiveness if it were more European and less obviously American. We should try to work increasingly through the national information services of the Western European countries. He suggested the establishment of a board to operate out of a central headquarters, possibly Paris, to formulate recommendations for a program to contact the public relations authorities of the country to which the board members were accredited, in order to stimulate a more effective propaganda program.

Ambassador Spofford considered that the NATO information service which had recently been set up with an integrated staff might play a more active role in the propaganda field. Increased personnel would be necessary although the approach would be through national information services with a minimum of direct operations. Some of the smaller nations lacked monitoring facilities and the finances to undertake such work. The U.S. and U.K. had begun supplying monitoring reports to these countries. The British have not been enthusiastic about bringing the smaller countries into a more active role in propaganda operations, believing that the U.S. and the U.K. are already doing well enough without such assistance.

Ambassador Bruce pointed out that the propaganda activities of all free nations needed stimulation since Russian efforts had been much more successful than ours. He felt that our reliance on

"truth and truth alone" in the propaganda war was insufficient; to be successful truth must be mixed with skill.

Ambassador Katz pointed out that good propaganda should bear no national label. He thought that unions of one country should talk to unions in another, that farmers should speak to farmers, businessmen to businessmen and intellectuals to intellectuals. He outlined the possible organization to accomplish our objectives but pointed out that no organization could be successful without a leader of the highest caliber. He felt that our overt information must continue its policy of absolute truthfulness.

After considerable discussion the meeting agreed to make no definite recommendations in view of the extensive plans of government and nongovernment agencies to take action in the immediate future. It was agreed, however, that the ambassadors would give this their individual attention and would encourage periodic meetings of their respective information staffs in an effort better to coordinate the program.

The meeting and conference closed at 12:45 p.m.

INTEREST OF THE UNITED STATES IN PLANS FOR THE MIGRATION OF SURPLUS POPULATION FROM WESTERN EUROPE

No. 76

840.411/7-551

Memorandum by the Special Consultant on Migration Affairs (West) to the Secretary of State [1]

CONFIDENTIAL [WASHINGTON,] June 19, 1951.

Subject: Surplus Populations in Western Europe; Proposed U.S. Action.

Summary and Recommendations

The pressure of surplus populations in Western Europe persists in Italy, Germany, Austria, the Netherlands and Greece. Refugees continue to flow in and are being encouraged by the U.S. to do so. The present problem transcends that of the refugees themselves, involving excesses of native populations in important areas. The possibility of assimilating these people in Western Europe, at a tolerable level of living and advantageous level of productivity, is very remote, since even with the rearmament effort, foreseeable employment and resettlement opportunities are not sufficient. *Continued emigration on a larger scale than that obtaining since the war should be encouraged as one means of relieving this pressure.* An order of magnitude of approximately 3½ million emigrants from Europe over a period of 5 years is the minimum movement required. Efforts should be made to accomplish such a movement.

The International Refugee Organization (IRO) has been the principal agency dealing with one important phase of this matter, seeking opportunities for resettlement, providing transport and organizing movements of refugees. Its activities terminate by the end of 1951. The USA has given great assistance to this work not only by means of its contribution to the IRO but also thru operation of the Displaced Persons Act. Admission to the U.S. under the terms of

[1] In a brief covering memorandum of June 28, William J. McWilliams, Deputy Director of the Executive Secretariat, noted that this memorandum was scheduled for consideration and debate at the Under Secretary's meeting of July 6. Subsequently, this memorandum, the McWilliams memorandum, and an abstract of the paper were circulated in GPA and GER. (Memorandum of July 5, 840.411/7-551)

this Act will end by June 30, 1952. Thus two enterprises which have made a very great contribution to resettlement are about to come to an end, with nothing in sight to fill the void. *International interest in and stimulation of emigration from Western Europe will have to be continued if the desired results are to be obtained.*

There are, however, limits within which emigration will have to take place. Admission of immigrants is now on a selective rather than a mass basis. The rate of economic development in countries potentially able to receive immigrants is the real governing factor in the magnitude of migration which can be expected. Such development is being stimulated from many sources and, if full advantage is taken of the services and investment funds now available, an increasing demand for productive manpower will occur. Additional measures to accelerate economic expansion will have to be dealt with separately from this paper since the Executive Office has at hand proposals on this score. (Report to the President by the International Development Advisory Board, March 1951.) [2]

The particular interest of the U.S. is substantial due to the economic burden and social and political tensions put upon certain countries by these surplus populations who have scant hope of bettering their lot where presently located. We are expending great efforts and vast sums of money to strengthen these countries. Even a most dispassionate view reveals that the continued burden of these nonproductive people presents serious handicaps to the successful fruition of these efforts and expenditures. It should be noted also that the existence of such handicaps constitutes a weakness behind the military posture to be developed in Western Europe. *Continued efforts on the part of the U.S., cooperating with other interested countries, to overcome these handicaps by assisting emigration and resettlement in areas where opportunities for productive work exist, will certainly serve to strengthen these countries and should, accordingly, be considered a vital part of our Foreign Aid Program.*

It appears that for the present three steps can be taken to encourage maximum emigration from Western Europe. These steps are embodied in the following recommendations:

1. An international agency should be created (or preferably, one now in existence strengthened) to serve as an instrument of international cooperation in promoting emigration from Western Europe.

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[2] Reference is to the report entitled "Partners in Progress" prepared by the International Development Advisory Board, Nelson Rockefeller, Chairman, in response to a letter from President Truman of November 24, 1950. Further documentation on the report is in *Public Papers of the Presidents of the United States: Harry S. Truman, 1951* (Washington, Government Printing Office, 1965), pp. 180–181.

2. The U.S. should, as part of its Foreign Aid Program, provide funds to be used in support of such an international agency, or in other appropriate ways.

(a) It is estimated that a U.S. contribution of $40 million per year (in part reimbursable) might be employed effectively and prudently when satisfactory plans are developed.

3. We should request legislation which would provide means (e.g. by continuation of the techniques and certain qualifications of the Displaced Persons Act) to permit a continued annual reception by the U.S. in excess of that permitted under our basic immigration laws from Western European countries where population pressures continue to be most acute.

4. If the above recommendations are considered appropriate, plans should be shaped to:

(a) Earmark $10 million of the Foreign Aid funds to hold together the shipping unit developed by the International Refugee Organization after that organization terminates, provided arrangements can be made for international cooperation to make additional funds available. (ECA now has such a proposal under consideration.) This should be regarded as an interim and temporary measure pending the activation of a more substantial effort to promote emigration from Western Europe.

(b) Cooperate with the International Labor Organization (ILO) in developing its comprehensive proposal to serve as an instrument of international cooperation in promoting and assisting emigration from Western Europe. The substance of this proposal has to do with technical assistance and aid in transport, and not with capital investment.

(c) Get legislation drafted for submission to the Congress providing for the continuation of techniques embodied in the Displaced Persons Act to provide for the annual reception of approximately 60,000 from Germany and Austria, 75,000 from Italy (including Trieste), 15,000 from the Netherlands, 10,000 from Greece, and 10,000 political refugees over and above the quotas permitted under our basic immigration laws.

Discussion

I. *Nature and Magnitude of the Problem.*

In a joint declaration issued at London, May 13, 1950, [3] the Secretary of State, together with the British and French Foreign Ministers, observed that overpopulation in certain Western European countries "is one of the most important elements in the difficulties and disequilibrium of the world". Experts designated by them met in Paris, July 24–August 11, 1950, for systematic exploration of the problem and avenues of approach to its solution. Their conclusions

[3] Reference is to the Declaration on Migration, MIN/TRI/P/25, approved by the Foreign Ministers of the United States, the United Kingdom, and France at their fifth meeting, May 13, 1950. (CFM files, lot M–88, box 150, MIN/TRI/P)

as to the "nature and order of magnitude of the problem of European overpopulation" were as follows:

"1. The estimates of overpopulation put before us by the countries having surpluses are based upon the scale of present and projected economic activity in their areas, and the extent of the opportunities afforded there for the reasonable support and useful activity of the population.

"2. It is impossible to assess with complete accuracy the extent of the total surplus, having regard to the statistical difficulties, the different methods used by the various countries in assessing their surplus, and the variables involved. For example, the possibility of increasing employment through internal economic expansion varies from country to country.

"3. From the estimates submitted, there appears to be a present overpopulation, not absorbable by present or projected economic activity, of about 1.6 millions in Western Germany and from 2.5 to 4 millions in Italy, including workers and families. There are also important but smaller surpluses in the Netherlands, Austria, Greece, Malta and the US/UK Zone of Trieste. As indicated above, there are many uncertainties in these figures—those for Western Germany may be too low, particularly in view of the continuing influx of refugees from the East, while the higher total given for Italy may be excessive. However, on the basis of such information as is available to us, we have been obliged to accept these estimates as representing the overall magnitude of the problem.

"4. Looking to the future the magnitude of the overpopulation problem cannot be expected to be reduced substantially by the effect of the now projected economic development of emigration countries, for the annual increase of population will more than cover the additional need for manpower that economic development will entail. We are not in a position to appraise whether an increase in internal transfers of population, beyond that at present contemplated, in any area of surplus such as Germany might bring some contribution to the reduction of this surplus.

"5. Further, it has not been practicable for the experts of countries of surplus, nor for us, to appraise the extent of the direct and indirect effect of possible new factors in the situation, such as the projected increase in defense expenditures in Western Europe, envisaged since the opening of the conference. We are bound to recognize that they might be important in certain areas. Nevertheless the fact that the surplus largely arises from an excess of agricultural workers over the opportunities for employment on the land, together with difficulties of internal mobility of labor, impose serious limitation upon the effects of such new factors within the areas of surplus population themselves. We have necessarily concerned ourselves with the present and future contribution to the reduction of this overpopulation by migration to other areas.

"6. Surpluses have accumulated for different reasons in different areas. In Western Germany, for example, there has occurred a net addition to the population of some 8 to 9 million persons, almost entirely of German ethnic origin, who either fled or were removed or expelled from their native areas. In Italy the excess results from a high rate of population growth and the damming up of normal

emigration. In other areas, it is due primarily to an increase in population without a corresponding expansion of internal economic activity.

"7. Particularly in Western Germany and Italy the problem appears to a large extent to be a non-recurrent one since with the dispersal of the accumulated surpluses, it should be possible to absorb the natural increase in population either through expansion of domestic employment or emigration at a manageable rate."

The Foreign Ministers' meeting at New York in September 1950 [4] agreed to appoint special representatives on migration who would, among other duties, give prompt study to the question of transport of migrants. The U.S. Representative was appointed in December, 1950, the French Representative in January, 1951, and the British Representative in March, 1951. The U.S. Representative has consulted with his colleagues, has examined the overpopulation problem on the ground in the countries of emigration, and has consulted with interested government officials, international organizations, and voluntary agencies.

Continued analysis of the problem by U.S. Government and international agencies, confirms the validity of the estimate reached at Paris. Particular note should be made of a special problem, not separately dealt with by the experts meeting, arising from the continuing influx of non-German political refugees from Eastern Europe at the rate of 12–15,000 per year. This movement is directly or indirectly encouraged by the U.S. through the Voice of America and other media.

During the past year the need for stimulation of emigration from Western Europe as one means of relieving the situation has become increasingly evident. In Italy, for example, the rational employment of those now under-employed in industrial establishments will provide the manpower needed to produce to the full capacity of productive facilities. As to Germany, a recent study (The Sonne Report) has indicated the possibility of integrating the great bulk of the refugees into German life; but due in part to the continued in-flow of people from the east, from 1 to 1½ million people in Germany should have the opportunity to emigrate. In Italy, Greece, Germany, the Netherlands and Austria there are large numbers of people who are agricultural (as distinguished from industrial) and for whom no foreseeable opportunity exists for employment where they are now located. In these countries the natural increase in population is about 900,000 per year.

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[4] For documentation on the meetings of the Foreign Ministers of the United States, the United Kingdom, and France, at New York, September 12-19, 1950, see *Foreign Relations*, 1950, vol. III, pp. 1108 ff.

The improving economy offers some possibilities of resettlement within Western Europe. For example, France might, under certain conditions, be able to take in substantial numbers, estimated in some quarters at as high as 100,000 per year for several years. However, after taking into account all the possibilities of integration within their own countries, or resettlement within other parts of Europe, there remains the necessity of overseas emigration.

II. *Estimates of Required Emigration.*

The 1949 flow from the areas of surplus to all destinations, including Europe, was roughly 622,000, of whom about 322,000 were DP's, for whom resettlement was arranged by IRO. The 1950 flow (for which less reliable figures are available), was roughly 400,000, of whom approximately 185,000 were resettled overseas by the IRO. The IRO, by the time of its termination at the close of 1951, will have resettled about 1,100,000 refugees during three years of actual operations—an average of 367,000 per year (both overseas and European destinations).

Overseas spontaneous emigration has averaged about 200,000 annually since the end of the war, reaching a peak of 300,000 in 1949 and declining since. Certain European and overseas governments have in the past year been negotiating bilateral agreements to establish schemes for recruitment and transport of selected migrants. Significant among these are the agreements reached or in progress between Australia and Canada on the one hand and Italy, Germany and Netherlands on the other. Other overseas governments have to some extent liberalized admission requirements for spontaneous immigration. A total *overseas* annual movement of about 150,000 is the maximum that may be anticipated under such bilateral arrangements from the areas where overpopulation is most acute.

The U.S. Displaced Persons Act has provided for the intake of about 400,000 DP's and German ethnic refugees in the period from 1948 to June 30, 1952. With the expiration of this legislation, U.S. immigration will be based upon the quota system, under which about 50,000 from the overpopulated areas of Western Europe would be admitted annually.

It is to be noted that two substantial contributors to the present flow of emigration from Western Europe, namely the IRO and the DP Act of the U.S., will cease activities within the next year.

With termination of the DP Act and the IRO, the maximum anticipated flow from surplus countries to *overseas* destinations to be expected is 350,000 per year. Intra-European movement on present projections will average 50,000 per year. Maximum total projected flow will therefore approximate 400,000 per year, roughly estimated by areas of destination as follows:

		One year		*Five years*
Intra-European		50,000		250,000
Overseas				
Australia	75,000		375,000	
Canada	75,000		375,000	
U.S.	50,000		250,000	
Latin America	100,000		500,000	
New Zealand, So. Africa & other areas	50,000		250,000	
		350,000		1,750,000
Totals		400,000		2,000,000

An annual flow of 700,000 over the next five years, a total of 3½ million, is calculated to be the minimum movement necessary to reduce existing pressures in Europe. The breakdown by countries is as follows:

	One year	*Five years*
Italy (including Trieste)	400,000	2,000,000
Germany	200,000	1,000,000
Netherlands	40,000	200,000
Greece	35,000	175,000
Austria	25,000	125,000
Totals	700,000	3,500,000

Thus it can be seen that gap between the minimum required and the maximum prospective flow is 300,000 per year or a total of 1½ million over a five year period.

III. *Proposals Advanced by International Organizations.*

Plans for international cooperation to bring about the maximum amount of emigration, and thus bridge this gap, are being carefully formulated and are being put forward by the ILO, the Council of Europe, and the IRO.

(1) The ILO proposes establishment of a Special Migration Unit (within its organization), the objective of which is an over-all movement of 800,000 per year, including existing spontaneous and bilateral movements. Total cost of the Special Migration Unit is estimated by ILO to be $68,750,000 per year, to which would be added a reimbursable contribution of $62,500,000, payable over a period of four years, to a self-liquidating International Revolving Fund. The ILO uses the figure of 800,000 per year as a goal; the basis of its financial calculation is that, of the 800,000, ⅓ would, of necessity have their transportation expenses supplied to them free, ⅓ could pay their own, and ⅓ could wholly or in part repay advances made.

(2) The Secretariat of the Council of Europe has a plan calling for the overseas emigration of 600,000 per year over a period of eight to nine years. It proposes, for this purpose, establishment of a transport subsidy fund, expending $52 million the first year, and decreasing by roughly $10 million per year until the end of the fifth year, when it would become self financed by means of repayment. In addition, contributions totalling about $15 million per year would be required to finance the costs of the organization, to be contributed by member governments, international organizations, and other parties. A European investment bank with initial capital of $100 million would be established as an integral part of the scheme.

(3) IRO officials have called attention to the great service rendered by the shipping unit which they have developed over a period of years, and have suggested that an annual expenditure of approximately $30 million per year could maintain in operation an international resettlement agency with a fleet of twelve migration vessels (now under charter by IRO) and other services capable of resettling overseas 100,000 migrants annually. ECA now has under study a proposal that it contribute $10 million toward the cost of maintaining, temporarily, such facilities after the termination of the IRO, provided inter-governmental agreement can be reached on financing the remaining $20 million.

IV. *U.S. Interest in the Problem.*

The U.S. Government has manifested its strong interest in European overpopulation by (1) leadership in formulating the declaration of the three Foreign Ministers (London, May, 1950) and in their adoption of the report of the tripartite experts meeting (New York, September, 1950); (2) participation in ILO conferences and other international discussions of the problem; (3) participation in the work of the IRO; (4) enactment by the Congress of Section 115(e) of the ECA legislation, directing the ECA Administrator to encourage emigration from overpopulated areas in Europe under the authority of which the ECA has extended aid to the ILO and to Italy for their technical assistance programs; [5] (5) enactment of the DP Act, [6] which provides for admission to the U.S. of numbers considerably in excess of those permitted by the basic immigration laws, and authorizes U.S. participation in an international conference to seek ways of resettling German ethnic refugees and expellees now in Germany and Austria; (6) the report of the Congressional Sub-Committee (Walter Committee) which investigated the German expellee problem (1950); and (7) the report of the ECA technical assistance commission (Sonne Commission) which studied "The Integration of Refugees into German Life" (1951). U.S. Missions in all of the affected areas have repeatedly emphasized their

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[5] See the memorandum by Hickerson, Document 79.

[6] Displaced Persons Act of 1948, as amended (Public Law 81-555).

interest in the problem, and ECA has recognized the dependence of lasting economic recovery upon its solution.

This interest is well justified. We are making great endeavors to strengthen these very countries where overpopulation exists. In Germany, Italy, Austria and Greece substantial parts of our financial aid are devoted directly or indirectly to public support of large numbers of non-productive people. The security aspects of the matter also deserve attention. We are endeavoring to improve the defense capabilities of these countries. Efforts to this end will be severely handicapped, lacking concurrent efforts to enlarge the opportunities of people who now are unproductive and who cannot see any hope of improving their lot. Furthermore, these idle people are extraordinarily susceptible to propaganda designed to undermine our influence upon and help to these countries. Their continued subjugation to the conditions under which they now live constitutes a heavy impediment to economic recovery and social and political stability. Whatever, therefore, can be done to diminish the magnitude of the problem by way of emigration contributes that much to the objectives toward which our Foreign Aid Program is being directed.

Faced with the fact that the U.S. participation in efforts to solve the problem of overpopulation in Western Europe are about to come to an end; assuming that the promotion of emigration from Western Europe is necessary as one means of dealing with this problem, and assuming also that the U.S. continues its deep interest, the question arises as to what the proper course would be for the U.S. to pursue from this point on.

It is suggested that the problem be dealt with along three lines.

(1) International cooperation in dealing with the matter should be developed by means of an agency designed to help in the promotion of and assistance to emigration from Western Europe on the broad basis of surplus populations rather than that of refugees only.

(2) The U.S. should provide for a continued intake of immigrants in excess of the numbers permitted by our basic immigration laws.

(3) More extended efforts should be made to encourage economic development and expansion in underdeveloped countries.

What effective purpose would an international agency serve under present conditions? It would be an instrument to promote emigration, seeking out opportunities, aiding in subsidizing transport costs when needed, providing technical assistance toward improving procedures to those countries requesting such aid (there are many such requests) and serving as the focal point at which all interested countries could join in pooling their efforts to deal with the problem. The desirability of having a source of such interna-

tional aid and cooperation as described has been repeatedly emphasized in the various studies made of this matter. For instance the Walter Report, in dealing with the Volksdeutsche problem in Germany, emphasized the desirability of international cooperation. The Australians have indicated that their scale of immigration would be enlarged by international aid. The studies of the ILO and the Council of Europe are based on the premise that the problem posed in Europe can be dealt with effectively only on an international basis.

In addition to technical assistance and coordination, an important task of an international agency would be to operate a fleet of vessels to provide transportation for migrants. The experience of the IRO indicates the necessity of such shipping facilities. At the peak of its operations, the IRO had under charter and in operation a fleet of 35 vessels, 19 of which were U.S. Naval Ships especially converted for this purpose. This fleet of 35 vessels handled a peak shipping of approximately 28,000 people per month, moving a total of about 300,000 during 1949.

The U.S. contribution to the proposed international agency might be projected on the cost of operating these (say 20) U.S. Naval Ships, at approximately $2 million per year per ship. Thus, $40 million could be regarded as what would be involved in U.S. financial support of an international agency. Part of this sum would in all likelihood be reimbursable from migrants, as is now the case in certain instances. This amount cannot be regarded as precise because there would be certain administrative expenses which cannot be determined until budgets can be prepared, nor would it be advisable to tie the U.S. contribution exclusively to the use indicated above.

The proposal to make the ILO the instrument of international cooperation for emigration appears to be most promising. It is unnecessary and undesirable to create an additional organization when there is already one at hand, anxious to undertake the task and including in its active membership all of those countries which have a direct interest in this matter. At the present time, the ILO is not organized to do the job, but it should be possible to so organize it. Since the formulation of their proposal is reaching its final stages, it is suggested that we cooperate with them in development of a plan which would result in an effective organization.

A generous reception of these people into the U.S. has a most important bearing on the whole matter of dealing with the surplus populations of Western Europe. In the first place, the mere contribution to the numbers involved is of consequence. Only about 50,000 permanent immigrants (quota and non-quota) from the areas of surplus, may enter the U.S. annually under the basic immigra-

tion laws. It is estimated that 200,000 per year would more nearly represent an adequate intake into the U.S.; during the existing defense emergency it would not only be of help in relieving the European problem, but would also be readily manageable in this country. Secondly, the psychological effect on the peoples of Europe of an increased opportunity for emigration to the U.S. is of incalculable benefit to our purposes in these countries. Thirdly, any effort we might make to encourage other countries to more liberal reception would be seriously compromised if we limit our reception to the numbers provided for by the present quotas. The most influential step the U.S. could take in this matter would be to continue the kind of policy evidenced by the Displaced Persons Act. In considering the possibility of increased admissions to the U.S., particular attention should be paid to those countries where the pressure of surplus population is most acute.

While the need for emigration from Western Europe is fully appreciated, it must be recognized that the real determining factor in the magnitude of possible emigration is the ability of countries of immigration to receive people and provide opportunities for their livelihood. Limited capacity in this respect has led to very selective reception of immigrants as distinguished from mass reception. The basis of this selection varies from country to country, but the general practice is that only those numbers will be received which can be economically and socially assimilated with reasonable certainty. Thus economic expansion, with its consequent creation of employment and settlement opportunities, has a direct bearing on the rate of immigration. Such development requires great capital investment often involving foreign exchange available only by borrowing. The countries of emigration have little or no capital to be put at the disposal of the countries of immigration. While on many occasions the IBRD has indicated its interest in helping finance projects for economic development which would provide opportunities for increased immigration, few projects have been submitted.

It is recognized that the interests of the U.S. would be served by promotion of economic development and expansion in those areas of the world which are susceptible to substantial further development. A vigorous promotion of this policy would have very great collateral effects on the possibility of some of these countries receiving additional immigrants. There are certain countries which recognize this at the present time and are taking steps to increase their manpower. Conspicuous among these are Australia and Canada. Australia, for example, has recognized its need for a larger population, has made arrangements for loans from the IBRD to allow it to expand its economy at a faster rate than that permitted by its own resources, and along with this expansion has adopted an

immigration program aimed at absorbing 200,000 per year for the next 10 years. In South America, there exist very substantial opportunities to use immigration as a means to promote economic expansion, not to make up for lack of hands, but to introduce certain skills to great advantage. Generally speaking, the South American Governments are not currently taking advantage of this opportunity. There is increasing evidence that some of these governments are beginning to realize the advantages to their economies that would accrue from a more liberal intake of immigrants. Such help as we can extend to them, as, for instance, through the Joint Commissions, would contribute to the increase in opportunities for immigration.

The report of the Advisory Committee on International Development [7] deals at length with the problem of economic development in under-developed countries. Some of the recommendations of this report, if put into effect, could have a profound influence on increasing the opportunities for emigration from Western Europe.

[7] See footnote 2 above.

No. 77

Under Secretary's Meetings, lot 53D250

Record of Under Secretary's Meeting, Friday, July 6, 1951, 10:15 a.m.

CONFIDENTIAL [WASHINGTON,] July 9, 1951.
UM N-365

[Here follows a brief discussion of the case of American journalist William Oatis, then held in captivity by the Czechoslovakian Government. For further documentation on the Oatis case, see Documents 662 ff.]

Surplus Populations in Western Europe, Proposed U.S. Action (UM D-145 [1])

2. Mr. West reviewed the main points presented in his paper, UM D-145. He pointed out that it should be recognized that the promotion of emigration from Europe is only one means for handling the problem of surplus peoples. At present there is some movement of the surplus population in Western Europe and the assimilation of the peoples is now taking place in various parts of the world. Two organizations are interested in this problem: OEEC and

[1] Not printed.

the Council of Europe. They have concluded that devices should be continued which would promote the movement of surplus populations. Mr. West pointed out that the IRO is about to conclude its activities since a commitment was made that it should continue only as long as its funds remain. After the IRO is terminated, no organization will exist which is in a position to promote the movement of surplus peoples. Mr. West also pointed out that the Displaced Persons Act will be terminated in June of 1952.

3. Mr. West reviewed his recommendations and pointed out that it is proposed that an international agency be created, or that one, now in existence, be strengthened in order to serve as an instrument for promoting emigration from Western Europe. He pointed out that the migration problem is a hazard to the strengthening of those countries for which we are attempting to obtain foreign aid funds. Thus, his recommendation is tied into the use of foreign aid funds for this purpose. The reason that money is required is mainly for transport costs and we must provide this money since individual countries do not have sufficient funds in their budgets for this purpose. The proposal with respect to the intake of people into the U.S. is important but not urgent. He felt that if only one thing were possible to be done to influence Europe and its attitude toward us on this problem, it would be to take in additional numbers under an extension of the Displaced Persons Act.

4. Mr. West stated that the IRO has a fleet of ships and steps must be taken immediately to prevent the abandonment of the charters of these ships. This will take place about the middle of September. He reviewed his proposals with respect to the earmarking of about $10 million of the foreign aid funds and pointed out that ECA feels that this would be an appropriate measure. He also pointed out that Congressman Walter and others on the Hill feel that these steps should be taken. He also stated that since there are many outside pressures to extend the Displaced Persons Act, we must get a position on whether we will support such an extension.

5. Mr. Tate asked why the High Commissioner's Office for Refugees had been disregarded in the consideration of this problem. Mr. West explained that the terms of reference for this Office precludes its activity in this field. This Office is mainly for the legal protection and the rights of refugees, and the problem before the meeting was one of dealing with native populations, not just refugees. Mr. West pointed out that the IRO has been limited to certain defined types of refugees, but that the pool of ships under IRO had been used for peoples other than refugees. Mr. Matthews asked about the possibility of extending the Displaced Persons Act. Mr. West felt the chances were fairly slim. He pointed out, however, that

there is considerable demand in the U.S. that something be done on this problem, and he felt that an extension of the Act should be tested by laying a proposal before the Congress.

6. Mr. Ferguson asked whether we have ever provided funds for the resettlement of non-refugees. Mr. West stated that as refugees are defined by the IRO we have not. By other definitions we have provided assistance. Mr. Thorp pointed out that several International Bank loans have been approved, based upon the problem of absorbing new peoples into an area.

7. Mr. Thorp stated that he is in favor of the paper, but he wondered how many countries are eager and able to absorb peoples, as proposed by Mr. West. He suggested also that it might be wise to get a statement from the International Bank with respect to the consideration of funds for housing, utilities, etc., which would be involved in a shift of peoples. Mr. Thorp also asked whether the $40 million proposed would be for transport costs only. Mr. West stated that the $40 million would be mainly for transport costs and for technical assistance, which involves assisting the countries in making plans, developing operating techniques, employment standards, etc. Mr. West also pointed out that the ILO is working on a revolving fund, since some individuals can repay their transportation costs after a period of time. Mr. West noted that the IRO fleet provided transportation in 1949 for a number comparable to the present requirement for the movement of peoples. In response to a question by Mr. Pittman, Mr. West explained that the 700,000 figure presented in the paper includes surplus populations, part of which has come about through an influx of refugees from other areas. This is especially true in the cases of Austria and Germany. There was some discussion about the movements of peoples and the general population conditions in various countries of Western Europe. It was pointed out that many of the populations are beginning to level off and it is hoped, for example, that the pressures of peoples will pass away in about 10 years.

8. Mr. Mann stated that many areas in Latin America are not suitable for settlement by immigrants. In some cases, the countries may have a disposition to receive immigrants but they will ask them to go inland and work on agricultural developments. Mr. Mann also pointed out that the housing problem is important, in addition to food, machinery, tools, etc., which would have to be provided to the immigrants. This runs into high costs much beyond the initial transportation costs. He pointed out that Latin America does not have the conditions or the money to absorb these surplus peoples and will not do so unless money from outside sources are [*is*] provided.

9. Mr. Pittman asked whether the question of the increase in standing armies in Western Europe would affect the problem proposed by Mr. West. He pointed out that the jobs left by soldiers could be taken by potential surplus peoples. Mr. West agreed that this should be considered, but pointed out that with a maximum utilization of troops plus additional employment, a substantial group of surplus peoples would remain in Western Europe. Mr. Martin pointed out in this connection that manpower is not a significant factor in the countries involved.

10. Mr. Merchant questioned whether the U.S. should take the lead on a problem such as this when the U.S. is not very directly involved. He also pointed out that FE has serious problems in its area and the question should be raised as to whether we should devote all of our available money to the European area in the handling of its problem of surplus peoples. Mr. West agreed on the magnitude of the Far East problem, but pointed out that we are not in a position to deal with the global problem at the moment. He felt that the EUR problem was one which could be handled with some ease and which might lead to the development of certain techniques for use in the Far East area. Mr. Martin agreed.

11. Mr. Hickerson commended Mr. West for a good presentation. Mr. Hickerson felt that the displaced persons part of the problem should be divorced from the rest of the problem. He agreed that it would be a mistake to disband the IRO fleet. He felt that if ECA could make $10 million available, other countries could raise additional amounts in counterpart funds and from their own budgets. With respect to the proposal for a new international agency, he pointed out that the attitude of the Congress is against any new international organization. He suggested that a board of directors of 16 countries be formed which would have a direct relationship to the ILO. He emphasized that we should do everything possible to avoid a new international organization. With respect to the Displaced Persons Act, Mr. Hickerson stated that regardless of the merits of the proposal, it would be difficult to get such legislation passed.

No. 78

850.33/9–651

Memorandum of Conversation, by Irwin M. Tobin of the Office of the Special Assistant to the Secretary of State [1]

WASHINGTON, September 6, 1951.

Subject: Appointment of special migration representatives by European governments.

Participants: Mr. Robert West, Special Consultant to the Secretary on Migration Affairs, Department of State
Mr. Archibald Gordon, Labor Counselor, British Embassy
Mr. M.A. Wenner, Second Secretary, British Embassy
Mr. Irwin M. Tobin, S/M, Department of State

Mr. Gordon and Mr. Wenner called on instructions of the Foreign Office to express the opposition of the British Government to a proposal recently made by the Council of Europe on the above subject. The Committee of Ministers of the Council of Europe has proposed to the U.S., U.K. and French Governments that other European governments (presumably including Italy and Germany) directly concerned with migration problems should designate special migration representatives to confer and communicate informally with the Special Representatives appointed by the three governments in accordance with the decision of their Foreign Ministers in New York in October, 1950. [2]

The British Embassy had called earlier to request that the U.S. coordinate its position with the U.K. if possible before making its reply to Strasbourg.

The British Embassy representatives pointed out on instructions that their Government believes the Council of Europe proposal has the danger of establishing without adequate consideration a new international organization in the field of migration—a development which they consider not only useless but harmful since the question of an international organization in this field is being considered at the Naples Migration Conference called by the International Labor Organization.

Mr. West observed that he personally regards the suggestion of the Council of Europe as having useful possibilities and that his

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[1] Copies to Warren of UNA/R, Coe of BNA, Godley of WE, Martin of RA, Tesoro of WE, Cox of GPA, and Colladay of WE.

[2] Erroneous reference to the New York Foreign Ministers meeting of September 12–19, 1950.

initial reaction had been to favor the step provided the British and French were agreeable. He would not favor the arrangement if he believed that it would inevitably lead to another international organization of a formal intergovernmental character. However, since the British were so strongly opposed he would not press the matter for the time being and certainly not until after the Naples Conference in October. He thought that we could postpone taking a stand on the proposal of the Council of Europe until that time. Meanwhile, he would be having direct conversations with his British and French colleagues in the course of his attendance as U.S. observer to the Council of Europe Meeting on Refugees and Surplus Population to be held at Strasbourg the following week. The British expressed their gratification and expressed the belief that the conversations between Mr. West and Mr. Veysey, the British Special Migration Representative, would help to clarify the matter considerably.

No. 79

840.18/10-2251

Memorandum by the Assistant Secretary of State for United Nations Affairs (Hickerson) to the Deputy Under Secretary of State (Matthews) [1]

CONFIDENTIAL [WASHINGTON,] October 22, 1951.

Subject: Emigration of Surplus Migrants from Europe

Discussion:

Section 16 of the Displaced Persons Act of 1948, as amended (Public Law 555, 81st Congress), authorizes the United States Government to participate in a conference of concerned nations to develop ways of alleviating the problem of excess population in Germany and Austria. Section 115 (e) of the ECA Act of 1948, as amended, directs the Administrator to encourage emigration of surplus manpower from participating countries to areas where such manpower can be effectively utilized. The Foreign Ministers of France, the United Kingdom and the United States at their meetings in London (May, 1950) and New York (September, 1950) expressed their concern with the problem of overpopulation in certain countries in Europe.

Following extensive exploratory conversations with ECA, international agencies and other governments, the Department devel-

[1] Cleared with EUR, GER, UNE, and UNI.

oped a plan to carry out the intent of the Congress. This plan involves the establishment of interim arrangements between twenty interested governments under which 100,000 would be moved in one year of operation at a cost of approximately $30,000,000, of which $10,000,000 would come from the U.S. Government through ECA. Movement would take place through the use of 12 ships already converted for this purpose soon to be relinquished by the International Refugee Organization.

In order to make the $10,000,000 available, ECA required a legislative history more clearly indicating the Congressional intent than was expressed in the above cited laws. The Department was requested to establish this history. As a result the Mutual Security Act of 1951 (H.R. 5113), authorizes in Section 101 (a) (2) the expenditure of funds up to $10,000,000 for this purpose. The report of the Committee of Conference on H.R. 5113 states specifically that "it is the expectation of the Committee of Conference that steps will be taken as quickly as possible to get the program moving and that funds made available will be used". In addition, the appropriation bill for mutual security (H.R. 5684) passed by the two houses on October 20, 1951 earmarks $10,000,000 to be used specifically for migration purposes.

It is important that plans be consummated at the earliest date for convening a conference of interested governments to establish a provisional organization to facilitate migration. If the ships now under contract to IRO are to be preserved for this purpose, this provisional arrangement among interested governments must be established immediately. It is a matter of urgency, therefore, that ECA be consulted to determine whether ECA is now prepared to assure the Department that the $10,000,000 will be made available for this purpose at an early date.

On October 10, 1951 the Under Secretary telephoned Mr. Bissell of ECA to determine whether ECA would make the $10,000,000 required to implement this migration plan available at an early date. Mr. Bissell indicated that in view of the legislative history he was bound to make this amount available. However, he could not give final assurance on this until the legislation was approved.

Recommendations:

Now that the appropriation bill has been passed, it is recommended that you again telephone Mr. Bissell, Acting Administrator of ECA,

(a) to secure his assurance that ECA will make the $10,000,000 required to implement this migration plan available at an early date, and

(b) assuming that such assurance is received, to advise Mr. Bissell that, based on that assurance, the Department of State will proceed to convene a conference of interested governments to establish the proposed interim arrangements in keeping with the above legislation.

No. 80

840.18/10-2251

Memorandum by the Assistant Chief of the Policy Reports Staff (Barnes)

SECRET [WASHINGTON,] October 25, 1951.

Mr. Webb phoned Mr. Bissell of ECA this evening to follow up on his conversation of October 10 [1] with respect to the item of $10 million in the Mutual Security Act of 1951 earmarked for the emigration of surplus migrants from Europe. He told Mr. Bissell that we were most anxious to move forward on this problem, that Mr. Warren was currently in Europe negotiating with other governments on this question, and that we would like to have a final indication from Mr. Bissell that we would be able to utilize the $10 million for this purpose.

Mr. Bissell expressed the view that it was still his obligation to review any program or operation that was set up in this connection before the money was actually authorized. He said that while Senator McCarran had made quite clear the Committee's interest in moving forward on this, Senator McCarran had also requested him to check on the kind of organization which the State Department set up in connection with this problem. Mr. Webb said he realized that Mr. Bissell had to satisfy himself with reference to the actual expenditure of the money under this program but he also had to realize that we would have to have some relatively definite assurance that we could go ahead with international negotiation in order for it to be possible for us to develop any program at all.

Mr. Bissell further felt that he should have a letter formally requesting the $10 million and presenting as detailed a justification as possible much in the same way that he would make it for the Bureau of the Budget. Mr. Webb agreed that we would do this but pointed out that we could not wait on an exchange of formal letters before taking action. Mr. Webb and Mr. Bissell thereupon agreed

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[1] Not printed, but see the memorandum by Hickerson, *supra*.

that Mr. Webb could send a telegram to Mr. Warren [2] indicating that this money was available for use subject to the understanding that we would have to get final approval from ECA on the details of any program we undertook. Mr. Webb summarized the discussion by saying that he and Mr. Bissell agreed that our common objective was to use this money for the migration problem and that while we would have to justify the way in which we spent the money we would also have to justify not spending the money on the purpose for which it was earmarked.

ROBERT G. BARNES

[2] Not printed. Warren was in Geneva as Chairman of the U.S. Delegation to the 10th Session of the Executive Committee of the International Refugee Organization which met October 18–26.

No. 81

398.18-BR/11-1551: Circular telegram

The Acting Secretary of State to Certain Diplomatic Offices [1]

PLAIN
NIGHT LETTER

WASHINGTON, November 15, 1951—7:17 p.m.

459. Belg Govt at US suggestion has invited 32 Govts to participate conference on migration Brussels Nov 26. US will make major proposals for consideration by conference. These proposals consist of:

a. Draft resolution providing for estab "Provisional Committee for the Movement of European Migrants", and that Committee take such action as may be directly related to the moving of migrants from certain European countries having surplus population, elect officers etc., exercise powers required to carry out its purpose, adopt a plan of operations, appoint a director and staff and vest director with necessary powers to carry out responsibilities entrusted to him.

b. Plan of operations incl organizational arrangements and objectives and proposals for financing budget of expenditures of Provisional Committee. Primary objective is to move 115,000 persons in one year of operations, who wld not otherwise be moved, at over-all cost of $34,000,000. US is prepared to contribute $10,000,000 (exclusive of any reimbursements to Committee for services rendered to US) providing all Govts agree to provide funds, services or reim-

[1] Drafted by George L. Warren of the Refugees and Displaced Persons Staff of the Bureau of United Nations Affairs and cleared by UNE, BNA, S/M, UNI, ARA, L/UNA, EUR, and GPA. Sent to the Embassies and Legations located in all countries to be invited to the Migration Conference and repeated to Geneva.

bursements adequate to meet approx proposed budget of $34,000,000.

Govt to which you are accredited has been invited to conference. Copies draft resolution and plan of organizational and financial arrangements forwarded under separate cover soonest.

Request you advise FonOff foregoing, supply copies above when recd and request FonOff that Govt Rep at conference be authorized sign provisional arrangements provided proposals acceptable to Govt.

WEBB

No. 82

740.00/11-2951

Memorandum by the Special Consultant on Migration Affairs (West) to the Secretary of State [1]

CONFIDENTIAL [WASHINGTON,] November 29, 1951.

Subject: Confidential Report as Chairman of the U.S. Delegation to the Second Conference on Migration called by the International Labor Office, Naples, Italy.

The Naples Conference was called to consider a plan to provide international assistance for emigration from Western European countries. This plan, you will recall, provided for a Migration Council to be established by interested governments. The policies formulated by this Council were to be carried out under the supervision of the International Labor Office. Immediately prior to the departure of the U.S. delegation to Naples Congressional antipathy toward the ILO dealing with this matter of migration at all became so pronounced and was expressed in such definite terms that it was decided that the U.S. delegation could not give support to the proposals to be considered regardless of how they might be amended as a result of critical discussion. We were to oppose any scheme involving the instrumentality of the ILO.

When the U.S. position became known it was apparent that nothing could be accomplished at the conference along the lines originally contemplated. Whereupon the delegates of several vitally interested countries went to work to formulate recommendations intended to circumvent the impasse, to salvage a degree of usefulness from the conference and to provide something which could be regarded as a step forward in respect to international cooperation

[1] Sent through the Executive Secretariat.

in dealing with the matter. This was deemed, on their part, preferable to giving up altogether thus permitting the conference to wither away fruitlessly. These efforts resulted in a proposal to recommend the establishment of a Consultative Council on European Migration composed of representatives of interested governments and to function entirely on its own except as to utilization of certain technical services available from UN agencies. The U.S. delegation was instructed to abstain from voting on this proposal and to reserve the position of the U.S. as to any future measures for international action dealing with this problem. The result was that the conference adopted a report containing the recommendations with due note of the abstensions and reservations including those of the U.S. delegation.

With that background in mind, I am taking the liberty of making a few personal observations. The outcome of the Naples Conference was a grievous disappointment. The particularly unhappy aspect of it arises not wholly from our inability to support the ILO proposals. Of more serious significance was our subsequent refusal to cooperate with a substantial group of friendly governments in a proposal which was designed to accommodate their expectations to the known limitations within which the U.S. delegation had to work. To those delegates who came to the conference with the desire to achieve some positive results this proposal seemed to accomplish two things, (a) Resolve the difficulties which made the support of the ILO plan impossible, and (b) Evidence an intention on the part of interested governments to come to grips with the problem on a basis of broad international collaboration. It was our friends who advanced this proposal and our failure to cooperate even to this very moderate extent created an unwholesome reaction. While there appeared to be a general understanding of the position we had to take in respect to the ILO proposals, due, in part, to recognition of the attitude of Congress regarding international organizations having in their membership states dominated by Communist influences, the position taken by us in respect to the suggested Consultative Council of directly interested governments (no Communists) was far less comprehensible. This latter proposal seemed to most delegates a way to provide international collaboration on a much broader basis than hitherto without any commitments involving the type of international organization inveighed against in the reports of Congressional Committees. The fundamental reason why we could not support the ILO proposals in whole or in part seemed to be met and our contrary position indicated a rigidity which could be extenuated only by an intention to restrict our participation to measures of our own design with little regard for what others might consider helpful.

During the conference the members of the U.S. delegation discussed at length with members of other delegations our plan to preserve the transportation facilities of the International Refugee Organization after that organization terminates its activities. It was impossible, at the time, to define with any precision the plan itself, but a substantial agreement was evidenced, although skeptically in some quarters, that it would be useful to preserve these facilities and the conference was prepared to and did go on record recommending that the interested governments give serious consideration to this particular aspect of the problem. So this situation evolved. We were promoting a plan to deal with a particular but important segment of this whole problem and there was a general disposition to support our efforts along that line. On the other hand, our friends were proposing a plan designed to keep the problem as a whole under review by interested governments and we would have nothing to do with it. In view of the fact that there was nothing contradictory in these two approaches, the invidious light in which our position put the U.S. can be readily understood. It is to be hoped that our intransigeance at Naples will not result in repercussions adverse to the success of efforts to be put forth at Brussels and subsequently.

It was important politically, especially to our European colleagues, that some measure with broad support come out of the Naples conference regardless of the fate of the ILO proposals. This was made clear not only by formal statements, but especially by informal discussions which brought into bold relief the growing tensions being caused by these pools of surplus populations. In Italy particularly this matter has great political significance. The situation was not such as it would have been had the conference been dealing with a new and unfamiliar problem. It has been studied and restudied over a period of years, its political implications have been recognized at high levels from which have issued many expressions of deep concern and the measures needed to help provide a solution are fairly well defined. These considerations, together with the character of the representation at Naples, had led to a justifiable expectation that the conference should be able to recommend constructive action even though the high expectations aroused by the publication of the ILO proposals could not be fulfilled. To permit the conference to have its moderate compromise proposal, which provides a means for broader internal collaboration, rendered sterile by reservations on the part of the U.S., represented a distinct failure on our part to recognize important political realities.

In spite of the fact that the ILO (and, by implication, other UN agencies) was thrust aside as an instrument to help in this problem

we should not consider that the final word has been spoken in that regard. Without in any way diminishing the importance and usefulness of preserving the shipping facilities, upon which our attention is now focused, it must be stated that the successful consummation of that effort will be effective in dealing with but part of the problem. Unless there is a substantial increase in possibilities of emigration from Western Europe, commercial shipping facilities will soon be able to provide sufficient space. If additional migrants are to be moved, thereby giving a *raison d'être* for the shipping project, affirmative efforts must be made to ascertain and cultivate all possible opportunities for resettlement, to assist those governments requesting such assistance in improving their various services and administrative practices which have an important bearing on the magnitude of possible resettlement, and to promote in every appropriate way an increasing volume of opportunities.

Several of the specialized and other agencies of the United Nations can render effective aid in increasing opportunities for resettlement if they are encouraged to and supported in doing so. We should endeavor to remove the barrier which has been erected against their participation in our efforts, so that we might use them to the fullest possible extent because, among many cogent reasons, these established international organizations can deal with certain problems far more appropriately and economically than can be done by the U.S. unilaterally.

No. 83

398.18-BR/1-1752

Memorandum by George L. Warren of the Refugees and Displaced Persons Staff of the Bureau of United Nations Affairs

CONFIDENTIAL [WASHINGTON,] January 17, 1952.

CONFIDENTIAL REPORT ON THE CONFERENCE ON MIGRATION HELD AT BRUSSELS, BELGIUM FROM NOVEMBER 26 THROUGH DECEMBER 5, 1951 AND THE SESSION OF THE PROVISIONAL INTERGOVERNMENTAL COMMITTEE FOR THE MOVEMENT OF MIGRANTS FROM EUROPE HELD AT BRUSSELS FROM DECEMBER 6 THROUGH DECEMBER 8, 1951

The Conference on Migration, convened by the Belgian Government at the suggestion of the United States Government, met in

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[1] Warren was Chairman of the U.S. Delegation to both the Migration Conference and the Intergovernmental Committee for the Movement of Migrants from Europe. The source text does not indicate to whom, if anyone, this report was circulated.

Brussels from November 26 through December 5, 1951. The Provisional Intergovernmental Committee for the Movement of Migrants from Europe, established by decision of the Conference on Migration, held its initial meeting for purposes of organization at Brussels from December 6 through December 8, 1951.

Section 16 of the Displaced Persons Act of 1948, as amended (P.L. 555, 81st Congress), authorized the U.S. Government to participate in an international conference to develop ways of alleviating the problems of excess population in certain countries in Europe. Section 115 (e) of the ECA Act of 1948, as amended (P.L. 535, 81st Congress), directed the ECA Administrator to encourage the emigration of surplus manpower from participating countries to areas where such manpower can be effectively utilized. The Mutual Security Act of 1951, P.L. 165, 82nd Congress, in Section 101 (a)(2) authorized the expenditure of funds up to $10,000,000 to effectuate the principles set forth in Section 115 (e) of the ECA Act of 1948, as amended. The Appropriations Legislation, P.L. 249, 82nd Congress, 1st Session, for the Mutual Security Act of 1951, earmarked $10,000,000 to be used specifically for migration purposes.

In order to implement the foregoing Congressional Acts, the Department invited the Belgian Government, and the Belgian Government accepted, to convene a Conference on Migration at Brussels on November 26, 1951. Twenty-seven governments attended the Conference, eight as observers—Argentina, Denmark, Guatemala, Israel, Norway, Paraguay, Peru and Sweden. The Governments of Ecuador, El Salvador, Panama, Portugal, New Zealand, the Union of South Africa and Uruguay, though invited, did not reply or reported that they were unable to send representatives. A preparatory informal conference of nine governments whose representatives were present at Brussels was held on November 23, 1951.

At the opening session on November 26, 1951, the U.S. Representative presented a plan for the establishment of a provisional intergovernmental committee on migration to facilitate the movement of migrants from Europe. This plan proposed that twelve ships, to be relinquished on the termination of the International Refugee Organization (IRO) on January 1, 1952, be taken over to move approximately 115,000 persons, who would not otherwise be moved, during one year from Germany, Austria, Italy, the Netherlands and Greece, to countries of immigration at an over-all estimated cost of approximately $34,000,000. The United States would contribute $10,000,000 of this sum, provided a total budget of approximately that proposed was adopted. It was suggested that membership in the committee be open to all non-Communist Governments and that each member, as a matter of obligation, contrib-

ute an agreed share to the Administrative Expenses of approximately $3,000,000. Contributions to the Operating Fund were to be voluntary. Of the U.S. contribution, approximately $1,000,000 would be allocated to the Administrative Expenses, and $9,000,000 to the Operating Fund, which was set at $12,000,000 to $14,000,000.

The general discussion following presentation of the U.S. proposal indicated virtually unanimous acceptance of the proposal in principle. Some representatives expressed disappointment at the limited numbers of migrants and refugees to be moved. There was general agreement that the organization proposed should be provisional, flexible in character, and temporary, that its Administrative Expenses should be held to a minimum, and that the maximum of the resources made available should be allocated to operations. There was also unanimous agreement that refugees should be included among the persons to be moved. Questions were raised, particularly by the Italian and United Kingdom representatives, as to the necessity of utilizing the IRO ships in the proposed movement on the grounds that commercial shipping was considered adequate for the purpose. The draft resolution proposed by the U.S. representative was criticized sympathetically by some representatives because of failure to present a proper balance between the interests of emigration and immigration countries. However, the basic elements of the plan received general acceptance as well suited to meet the current requirements of emigration and immigration countries with respect to migration.

Questions were raised as to the proposed relationships between the committee and other international and non-governmental bodies. The UN High Commissioner for Refugees, strongly supported by the Netherlands representative in particular, made a plea for a special status for himself as a non-voting member of the committee. The representatives of two international organizations of labor unions present as observers, the ICFTU and the ICCTU, were critical of the lack of provision in the plan for direct participation in the committee by representatives of organized labor.

In replying to the foregoing observations, the U.S. Representative agreed that the plan proposed was a modest one, but emphasized the necessity of a demonstration of viability of the plan as a prerequisite to its expansion to meet the problem of surplus population on a more adequate basis. It was necessary, he said, to build soundly on small beginnings and to provide for development on the basis of acquired experience. He also assured the Conference that the proposals did not in any way envisage that the committee would trespass in its activities on those of any other existing organization, and that any assistance which could be afforded by other bodies engaged in related activities would be welcome. He stressed

that the plan proposed operations for one year, during which the government members of the committee might decide, in the light of existing circumstances at the time, whether the plan was to be expanded, extended or terminated.

With respect to the question of shipping, the U.S. Representative stated that his Government was convinced that the ships presently operated by IRO and reconditioned at great expense to international funds for the movement of migrants would be required, if additional migrants were to be moved from Europe beyond those presently moving under other auspices. In order to remove all possible concern that the committee might compete with commercial operations, he stated that the United States would propose that the committee adopt a policy of utilizing all commercial shipping offered which would meet essential requirements, namely, adequate accommodation in accordance with the regulations of ports of embarkation and disembarkation, availability when needed at specific ports of embarkation, and for specific routes of transport, and prices comparable to those established by the committee's experience in operation. A Working Party of Experts on Shipping later made a similar recommendation to the Conference. The U.S. Representative also stressed the advantages to be gained in operating a fleet of ships for migration purposes under international auspices, such as greater flexibility in movement, savings in costs and shipping schedules arranged to suit the particular needs of emigration and immigration countries.

Upon the conclusion of the general discussion, the Conference proceeded to amend the draft resolution submitted by the U.S. Representative establishing the committee and to examine the proposed administrative and operational budgets together with the texts of various resolutions required to be adopted in order to bring the proposed intergovernmental committee into formal existence.

The basic Resolution to Establish the Provisional Intergovernmental Committee for the Movement of Migrants from Europe (Document MCB/2/Rev. 5) [2] was formally adopted on December 5, 1951 by a vote of 16–0–1. The governments voting for the resolution were Australia, Austria, Brazil, Belgium, Bolivia, Canada, Chile, France, German Federal Republic, Greece, Italy, Luxembourg, the Netherlands, Switzerland, Turkey, and the United States. Austria, though absent at the vote had previously directed that its vote be recorded as favorable. There were no votes in opposition. The United Kingdom abstained on the grounds that further examination of the proposal would need to take place in London. Although Argentina voted for the resolution, Guatemala abstained, and Co-

[2] Not printed.

lombia, though absent, later requested to record its vote as an abstention, none of these votes were recorded in the final tally since the first two, Argentina and Guatemala, were observers, and Colombia was not, in fact, present at the vote. Paraguay and Venezuela were also absent at the vote. Denmark, Israel, Norway, Peru, and Sweden responded as observers. The text of the resolution as finally adopted did not deviate in any important matter of substance from that which was submitted by the U.S. Representative. [3] Of the countries voting for the resolution, the emigration countries—Austria, the German Federal Republic, Greece, Italy and the Netherlands—indicated forthrightly their intention to participate in the Committee, subject to the completion of the necessary steps to make their contribution available. Of the immigration countries, Australia and Canada, while expressing firm support of the proposal, reported that formal action of adherence in addition to legislative actions concerning their financial appropriations would be required to be taken later. Brazil, Bolivia and Chile made reservations based solely on the completion of the required appropriations actions. Of the non-emigrant and non-immigrant governments voting for the resolution, Belgium, Luxembourg and Switzerland were positive in indicating their adherence subject to the completion of legislative actions concerning their financial contributions. The representative of France, while supporting the proposals wholeheartedly, stated that formal action of adherence and financial participation would require a few weeks in time after the Brussels Conference. The final position of the Government of Turkey with respect to actual adherence remained uncertain at the end of the Conference.

Paragraph (10) of the operative part of the resolution reads:

"*Agree*

"that the Committee will give early consideration to the question of the relations to be established with international, non-governmental and voluntary organizations conducting activities in the field of migration and refugees;"

During the course of the consideration of the draft resolution Dr. van Heuven Goedhart, UN High Commissioner for Refugees, proposed to the United States and other delegations that he be granted the special status of "participant" in the work of the Committee. By this he meant that he should sit at the Committee table with representatives of the governments with freedom to take part at any time in the discussion, but without the right to vote. This position would be different from that of observers who sit at the rear of

[3] See paragraph a of circular telegram 459, Document 81.

the room in the Committee meetings and speak at the invitation of the Chairman after submitting a request to do so. Dr. Goedhart justified his claim on the ground that the General Assembly of the United Nations had established a precedent for this status of the High Commissioner at the Diplomatic Conference in Geneva in July 1951 on the Convention relating to the Status of Refugees. The U.S. Representative explained to Dr. Goedhart that the grant of this special status would automatically stimulate claims for similar status, particularly by the ILO, and possibly by other organizations such as the OEEC. Such a claim by the ILO, if accepted by the Provisional Committee, would cause real embarrassment to the United States in view of the special provision of the MSA Act with reference to the ILO. Dr. Goedhart did not believe that the ILO would press such a claim. The Netherlands representative presented to the drafting committee on the resolution a text providing for this special status for the High Commissioner but on realization of the difficulties involved in the proposal accepted the text of Para (10) as finally adopted, believing with the U.S. Representative at the time that the problem would be discussed by the Provisional Committee at the Brussels meeting. Later, in the course of the meetings of the Provisional Committee, the Netherlands representative voluntarily offered to postpone all discussion of the matter until the second session of the Provisional Committee some time in February 1952.

Following the adoption of the resolution, the members of the Conference, continuing under the Chairmanship of Mr. Franz Leemans of Belgium, met from December 6 through 8, 1951 to consider the various proposed draft resolutions, the adoption of which was essential to bring the Provisional Committee into formal existence. The governments represented at the initial session of the Provisional Committee were Australia, Belgium, Bolivia, Brazil, Canada, Chile, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Switzerland, the United Kingdom and the United States. The Observers present at the Conference continued in attendance.

The procedure adopted was to review all the proposed resolutions, to amend the texts thereof, and to postpone formal voting on the amended texts until the final meeting of the Committee on the afternoon of December 8. This was done in order to give each government representative present maximum opportunity to consult his government prior to formal action on the resolutions.

There was unanimous insistence that the budget of administrative expenditures, originally proposed in the amount of $3,060,300, be reduced and that the maximum funds available to the Committee be applied to operations. The final result of the discussions was to reduce the administrative budget to $2,359,060. This was accom-

plished in the main by a reduction in the proposed international staff, both in terms of numbers and by utilizing a larger number of local staff personnel at national as distinguished from international salary scales. Certain items of expenditure were also frozen pending decisions to be taken by the Committee at later sessions. The Canadian representative assumed leadership in bringing about these reductions.

The Operating Fund of $14,000,000 was accepted without change. Of this Fund it was decided that $3,000,000 would be required for working capital and that $11,000,000 would be allocated for the payment of movements of migrants for which no reimbursement or only partial reimbursement proved possible. The U.S. proposals that contributions to the Operating Fund, which would be voluntary, consist of (a) outright contributions in cash without restriction as to use; (b) contributions restricted in use, such as for the movement of refugees only; (c) advance contributions in cash against which reimbursements owing would be charged later; and (d) reimbursements for services rendered were accepted without modification. The representatives of Canada and Switzerland indicated that their Governments would make contributions to the Operating Fund very likely restricted to the payment of movement for refugees.

In the discussion on the allocation to the Member Governments of percentage contributions to the Administrative Expenditures of the Committee, the U.S. Representative suggested that the U.S. percentage should be 33⅓ per cent. This suggestion was readily accepted. He further suggested that other allocations, at least to the emigration and immigration countries, might be based on the proportion which the numbers of migrants or refugees leaving or entering a given country under the auspices of the Committee bear to the total numbers moved by the Committee. These discussions were initiated during the course of the Conference and were continued and finalized during the sessions of the Committee. The first decision reached was that apart from the United States the other Member Governments would be divided into categories of emigration governments, immigration governments, and interested governments. The Administrative Expenditures were then allocated between the categories as follows:

The United States	3/9
Emigration Governments	2/9
Immigration Governments	2/9
Interested Governments	2/9

Representatives of the emigration, immigration, and interested governments then met in their respective groups to make allocations within the groups. The emigration governments reached agreement on allocations within their group immediately. The immigration governments, which adopted a formula of making allocations on the number of migrants to be received, had more difficulty in reaching agreement. The representative of Canada was particularly concerned over the outcome arrived at on this basis. Having accepted to take 40,000 of the total persons to be moved, the ultimate percentage allocation for Canada on this basis proved to be 9.9 per cent of the total Administrative Expenditures, or roughly $6 per migrant to be received. The Canadian representative claimed that their over-head cost per migrant proceeding to Canada on commercial shipping was $3. The U.S. Representative argued in return that the higher over-head cost of $6 under the Committee would be compensated by a lower ocean transport cost. The Canadian representative readily admitted this point, but argued that the migrant would benefit from this lower transport cost rather than the Canadian Government. To resolve the difficulty the Canadian representative finally suggested and won acceptance for the principle that the highest contributor in any group should not be allocated a larger percentage than the highest contributor in any other group, excluding the United States. By the application of this principle the highest allocation in any group worked out to be 8.4 per cent of the total Administrative Expenditures. This percentage was accepted by Germany and Italy of the emigration group, Canada in the immigration group, and France and the United Kingdom in the interested group. The final allocation of percentages adopted appears in document PIC/18, December 8, 1951. [4]

In spite of persistent efforts by the Department and by the U.S. Representative and the Alternate Representative at Brussels, it proved impossible for the U.S. Representative to nominate a candidate for the post of Director of the Provisional Committee who would meet the two qualifications of acceptability to interested Congressional leaders and to the other Member Governments of the Committee. In view of the expressed determination of the representatives present at Brussels to adjourn the first session of the Provisional Committee on December 8, 1951, the failure of the U.S. Representative to announce a candidate by the evening of December 7 created serious concern among the other representatives at the Conference. In consequence, on the initiative of the representatives of France and Belgium, a private meeting of the heads of del-

[4] Not printed.

egations only was held at midnight on December 7 to discuss the problem. The representatives of the following governments attended this closed meeting: Australia, Belgium, Bolivia, Brazil, Canada, Chile, France, German Federal Republic, Italy, Luxembourg, the Netherlands, Switzerland, the United Kingdom and the United States.

At the above private meeting the representatives of France and Belgium stated that the interest of their Governments in the U.S. proposals concerning the Committee had developed on the assumption that a particular American candidate, well-known to all of the governments represented, whose capacities for the position of Director had been demonstrated to them, would be nominated for the post by the U.S. Government. In the absence of such nomination, they stated, their governments would find it necessary to review their previous statements made at the sessions of the Conference and the Committee with respect to the participation of their governments and to reserve their positions. With the exception of the representatives of the Netherlands and the United Kingdom, the representatives of the other governments present associated themselves in one manner or another with the position of the Belgian and French representatives. The representatives of the Netherlands and the United Kingdom indicated that they would support the nomination of any candidate by the U.S. Government who met the qualifications ascribed to the candidate referred to by the representatives of France and Belgium.

In view of the necessity, from the point of view of timing, that the Provisional Committee come into formal existence and take the various preparatory steps to enable it to take over the ships to be relinquished by IRO in December 1951–January 1952 and to avoid a gap in movements, the U.S. Representative suggested informally on the morning of December 8 to a number of interested representatives that the powers and duties of Director be vested temporarily in the person of Mr. Franz Leemans, representative of Belgium and elected Chairman of the Committee, until the problem of the nomination of Director could be resolved, and that Mr. Leemans in such capacity appoint Mr. Pierre Jacobsen (French) as Deputy Director of the Committee with instructions to act on its behalf. This suggestion was accepted with great relief by the other representatives consulted who, however, insisted that the powers of the Director be vested jointly in Mr. Leemans and Mr. George L. Warren, U.S. Representative. This proposal was formally presented to the Committee at the morning session on December 8 by the representative of the German Federal Republic, supported by the representatives of France and Canada, and was unanimously adopted.

The Committee in its final public session on the afternoon of December 8, 1951 formally adopted a series of resolutions implementing the decision to establish the Committee, all by a vote of 14-0-1. The United Kingdom abstained on each vote. The important actions taken were the adoption of the Budget in the total sum of $36,954,000, the Plan of Expenditure for one year of operations $33,954,000, including authority to the Director to incur obligations and make expenditures under the Plan, the Scale of Contributions, Financial Regulations, Rules of Procedure, a statement defining the powers and duties of the Director, and a resolution vesting the duties and powers of the Director in the persons of Mr. Leemans and Mr. Warren. The Committee also voted to meet early in February at the call of the Chairman.

Members of the Sub-Committee on Immigration and Naturalization of the House Judiciary Committee, under the Chairmanship of Congressman Francis E. Walter, Alternate U.S. Representative, attended all of the meetings of the Conference and many of the meetings of the Committee. The House members included, in addition to Mr. Walter, Representative Clifford Case (R. N.J.); Representative Frank L. Chelf (D. Ky); Representative Michael Feighan (D. Ohio); Representative Angier L. Goodwin (R. Mass); and Representative Chauncy W. Reed (R. Ill). These Congressional members who, prior to their arrival in Brussels, had conducted investigations in Germany, Austria and Italy of the refugee problem, frequently expressed satisfaction at the progress of the Conference, and showed a particular interest in the statements made during discussions by representatives of the other governments. They supported the U.S. proposals wholeheartedly and left Brussels feeling that a real step forward had been taken in line with their individual and collective views on the problem.

This report would be incomplete without special mention of the outstanding contribution which Mr. Franz Leemans, Belgian representative and Chairman of the Conference and the Committee made to the success of the Conference. Though not too familiar from past experience with the technical questions under discussion, his experience as a businessman enabled him to grasp the issues under discussion readily and to provide real leadership in reaching decisions which reflected the interests of the governments represented at the Conference. He was an able presiding officer and moved the Conference and the Committee forward to the ultimate conclusions with firmness and dispatch, and yet without offense. His summations of discussions were always helpful and he showed particular skill in holding the representatives to brief and pertinent observations.

THE POLICY OF THE UNITED STATES TOWARD THE FREE TERRITORY OF TRIESTE [1]

750G.0221/12-2350: Telegram

No. 84

The Secretary of State to the Embassy in Italy [2]

SECRET WASHINGTON, December 30, 1950—2 p.m.

2715. Dep infotel Dec 21, 4 a.m. [3] In view (1) possibility Sov Govt agrees to broad four-power talks [4] may raise Trieste question, (2) possibility Brit may formally propose to us new action, (3) major phase Ital-Yugo econ negots now completed, request views addressees on desirability US, UK and possibly France approaching Ital and Yugo Govts in near future to urge they secretly undertake reach mutually acceptable solution problem FTT. Dept believes approach cld be based on interest to both Ital and Yugo in removing dispute between them prior to possible Sov maneuvers involving Trieste. [5]

Before raising matter with Brit, Dept desires ur comments on points made Moscow tel 1239 Dec 23 rptd Rome 28, Trieste 5, Belgrade 30, [6] on any other points that occur to you, and on validity fol principles which wld guide discussions with Brit (and Fr):

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[1] Continued from *Foreign Relations*, 1950, vol. III, pp. 1302 ff.

[2] Drafted by Joseph N. Greene of the Office of Western European Affairs and cleared with Bonbright, Jessup, EE, and UNP; repeated to Belgrade, Trieste, Paris, London, and Moscow.

[3] This telegram reported that the British wanted to remove their troops from Trieste and suggested that the Italians be pushed toward negotiating a settlement with the Yugoslavs. (700.00(S)/12-2150)

[4] For documentation concerning the negotiations leading to the Four-Power Exploratory Talks in Paris, see vol. III, Part 1, pp. 1086 ff.

[5] The final portion of this paragraph was deleted prior to the transmission of this telegram. In draft the final sentence reads as follows: "Dept believes approach cld be based on interest to both Ital and Yugo in removing source dispute between them and in anticipating Sov maneuvers involving Trieste which might seriously impede chances achieving mutually acceptable solution."

[6] Telegram 1239 stated the position that there would be strong political and military advantages to ending the present anomalous status of the Free Territory of Trieste (FTT). Such a settlement would remove "one fruitful source of dispute" between Italy and Yugoslavia, thereby depriving the Soviets of a "useful propaganda weapon", and would allow the British and the United States to employ their troops in more crucial theaters. (750G.0221/12-2350)

(1) While urging Ital and Yugo to negotiate secretly together, Western Powers shld continue refrain from entering into substance territorial aspect negs.

(2) Western Powers shld devise soonest concerted methods for assisting in implementing any Ital-Yugo agreement which wld abolish FTT, having in mind Peace Treaty obligations and Security Council responsibilities.

You shld not discuss this matter with reps other govts at this stage.

ACHESON

No. 85

750G.0221/1-351. Telegram

The Chargé in the Soviet Union (Barbour) to the Secretary of State [1]

SECRET Moscow, January 3, 1951—2 p.m.

1285. As indicated Embtel 1239, December 23, [2] we perceive numerous advantages in bringing to end present anomalous status of FTT along lines acceptable to both Italy and Yugoslavia. However, we think that to achieve bi-partite solution realism would require our taking a somewhat more active part than that apparently envisaged by Department (Deptel 422, December 30). [3] So long as our declaration of March 20, 1948 [4] remains on record, we should think it unlikely that any Italian Government could accept anything less than restoration of all territory of FTT. This leads us to believe we cannot avoid possibly unpalatable and difficult task of replacing principles imbodied in that declaration with something more conducive to mutual agreement and informing both Yugoslavia and Italy to that effect. In short, if we wish to bring about amicable settlement of this problem we shall probably have to work in direction of partition of territory along present occupation lines (zone A to Italy and zone B to Yugoslavia), possibly with fairly minor adjustments to take account of ethnic distribution, and at least some measure of population exchange. Acceptance of such an approach might militate against the secret negotiations contemplated by Deptel 422, since for its own political future Italian Government might at some preliminary stage need to condition Italian people

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[1] Repeated to Rome, Belgrade, London, Paris, and Trieste.

[2] Not printed, but see footnote 6, *supra*.

[3] The same as telegram 2715, *supra*.

[4] For text of the parallel notes issued by the United States, the United Kingdom, and France, which favored the return of the Free Territory of Trieste to Italy, see *Foreign Relations*, 1948, vol. III, p. 517.

publicly to acceptance compromise and it might be desirable we ease lot De Gasperi by assuming openly degree onus for changed position in interest long range advantages effective settlement. In any event, we continue to feel that every effort should be made to reach bipartite solution this problem as soon as possible.

BARBOUR

No. 86

750G.00/1-351: Telegram

Leonard Unger, United States Political Adviser to the Commander of the British-United States Zone of the Free Territory of Trieste (Airey), to the Secretary of State [1]

SECRET TRIESTE, January 3, 1951—5 p.m.

359. Continue believe outstanding unanswered question connection Deptel 2715 Rome December 30 [2] is that raised mytel 112, August 26 [3] concerning military aspects. Even more today than last summer would appear that usefulness of study of Trieste problem limited without decision whether continued US–UK control of this strategic point and presence in this area of Allied troops outweigh desirability regularize Italo-Yugoslav relations, remove potential sore point and relieve UK and US of commitment.

Two subsidiary questions also remain unanswered, viz. (1) would Soviet Union be likely to seize upon settlement of Trieste question undertaken in disregard Soviet objections as pretext for interference in Yugoslavia, and (2) are we sufficiently clear on means of implementing Yugo-Italo agreement? Should Italian and Yugoslav Governments find mutually acceptable solution unobjectionable to US I believe concrete steps toward *de facto* if not *de jure* implementation would have to follow rather promptly and therefore concur second point, second paragraph, Deptel 2715. Perhaps implementation can proceed along lines Department's *aide-mémoire*, August 8 [4] if British and French concur. Of procedure outlined therein, I ques-

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[1] Repeated to Rome, London, Paris, Moscow, and Belgrade.

[2] Document 84.

[3] Telegram 112 raised numerous questions concerning the military aspects of the Trieste situation; for example, is Trieste itself or the U.S. presence there of such potential strategic significance that the United States should remain for the present regardless of the political advantages of removing this source of Italo-Yugoslav friction. It also questioned whether Trieste was an important supply port in case Yugoslavia was invaded. (750G.00/8–2650)

[4] *Foreign Relations*, 1950, vol. III, p. 1329.

tion only proposed plebiscite, which might raise more difficulties than it solves.

Assuming foregoing possible obstacles to settlement disposed of, next question is views of interested parties and their willingness seek settlement now. Has been our impression here that neither Italian nor Yugoslav Government now wishes take strong initiative alter *status quo* since both find presence Allied troops and consequent US–UK involvement in possible events this area advantageous to them, especially in face of threat of war. Also, presumably no 100 percent realization tripartite proposal possible and therefore Italian Government may be reluctant face adverse public reaction which would follow on its accepting anything less than full territory "pledged" to Italy March 20, 1948. Moreover, there is view, not often expressed and perhaps held only in restricted circles, that in present situation which may be disrupted by war Italy would be unwise settle formally for small gain when more substantial recovery lost territories might later be possible. Finally, Italian officials have on number occasions expressed doubts about proceeding toward agreement without knowing how it could be implemented.

While from here it appears internal repercussions of renouncing to Italy all Zone A and even part Zone B is not basic concern Yugoslav Government and Tito presumably not so worried as earlier about giving evidence closer relations with West, Yugoslav Government undoubtedly desires continued presence Allies at its back as long as it faces active threat Soviet aggression.

Views local population as usual strongly divided but feel that those groups actively in favor bilateral settlement outweighed by those actively opposed or passively satisfied with present situation even though officially favoring return to Italy.

General Airey and British PolAd continually make clear UK reluctance continue commitment troops here (Depcirtel December 21, 4 a.m. [5]); both for reasons economy and military requirements, British ever more desirous pulling out. General Airey stresses and I concur that our job here will inevitably be more difficult as time goes on and we continue walk tight rope between US–UK policies on one hand and those Italy and Yugoslavia. However, do not regard situation as any worse than upon my arrival last April nor do I see real cause for concern in near future.

Three principal courses are available to us: (1) carry on with *status quo*, with routine encouragement to Italians and Yugoslavs seek agreement; (2) follow first course but withdraw great bulk troops to satisfy British concern and leave US and UK forces sufficient only to man policy positions AMG; (3) exert combined US–UK

[5] Not printed, but see footnote 3, Document 84.

and possibly French pressure on Italian and Yugoslav Governments, particularly former, to meet at early date in secret discussions to find mutually agreeable partitioning Free Territory between them.

Second course satisfies neither desire for settlement nor military considerations. Moreover raises questions local internal security which would require study here before decision reached. British idea reference Depcirtel withdraw from Zone entirely in absence agreement seems entirely unacceptable except for possible value as threat to push two parties into negotiations (Moscow's 1239 to Department December 23). [6]

Third course clearly preferable if military and two subsidiary considerations discussed above do not render it undesirable. If this course adopted, however, I would not underestimate either pressure required to bring parties together, necessity our entering into substance territorial aspects of question, at least at outset, or blame which will inevitably be placed on US and UK for whatever compromise adopted, especially by Italian nationalists and Cominform. Do not regard 1951 communal elections as sufficiently serious concern of Italians to make them very useful as threat.

Recommend consideration points of procedure outlined at close my reftel 112 if negotiations are to be actively encouraged; first of these points now essentially realized.

UNGER

[6] Not printed, but see footnote 6, Document 84.

No. 87

750G.00/1-351 Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET ROME, January 3, 1951—8 p.m.

2835. I. In our view question whether US, UK and France should approach Italian and Yugoslavian Governments to urge secret agreement mutually acceptable solution FTT problem depends primarily on practical consideration of whether there is any actual possibility achievement such Italian Yugoslavian agreement now (Deptel 2715, December 30 [2]). In our opinion, in light of many complex factors bearing on problem at present time, prospects of success do not justify our urging negotiations in immediate future.

[1] Repeated to Belgrade, Trieste, London, and Moscow.
[2] Document 84.

(1) It is assumed that any settlement would be based on compromise involving redefinition FTT boundaries based on ethnic considerations which would give city of Trieste and major part Zone A, and Capodistria and other principal Italian cities of Zone B to Italy; and minor border Slovene communities of Zone A and major part of hinterland of Zone B to Yugoslavia. There could be no possible consideration of discussion of cession of Gorizia or any other present Italian territory to Yugoslavia. The question is whether Italian and Yugoslavian Governments under present national and international circumstances would be prepared to agree voluntarily to such a settlement.

(a) While it is true Sforza with De Gasperi's support has on numerous occasions stated Italy's willingness agree compromise solution on ethnic basis it is our considered opinion that government in face of present national and international crisis would not now be willing accept political liability involved in agreement on basis paragraph (1) above. Italian people, Parliament, and government are undergoing one of gravest crises of history in facing up to present Communist challenge. In this situation government would surely not want to arouse strident nationalist opposition which would certainly result from any agreement to "cede" to Yugoslavia even an inch of present FTT territory. Government, and Sforza in particular, have taken a beating over "failure" regain colonies.

Would not seem advisable for them to risk at present time another "failure" particularly one which can apparently be postponed. Neither do I consider that it could be in our interest to urge government to risk a crisis on these grounds at this time.

(b) It is true Italian-Yugoslavian relations have in recent months improved, economic negotiations have been largely successful and Italian resentment over conditions in Zone B has greatly diminished. However, we are not aware of any real indication that Yugoslavian Government now prepared accept settlement on basis paragraph (1) above or indeed that government's position has advanced beyond that of March 1948 when the then Foreign Minister, Simic, declared Yugoslavian readiness negotiate settlement "in the spirit of the Tito–Togliatti talks" (Belgrade's despatch 285, March 25, 1948 [3]).

II. (1) Re Moscow's 1239, December 23 [4] and general relation Russia to FTT problem we do not believe that any moves or moods of Soviets should be permitted to influence our difficult course toward achievement our basic objectives re FTT. In our opinion in contrast many other points of real difference with Soviets, FTT of no real concern to Russia but merely a place of troubled waters where they fish when it suits their purpose. In our view Russia's

[3] Not printed, but for documentation concerning Yugoslavia's attitude in March 1948, see *Foreign Relations*, 1948, vol. III, pp. 502 ff.

[4] Not printed, but see footnote 6, Document 84.

relationship FTT problem remains much as it was March 20, 1948, i.e., we are still awaiting direct reply to our proposal that they agree to negotiation of revision of Italian Peace Treaty in light of consideration FTT provisions unworkable. In absence Russian reply our position has developed along lines of encouraging negotiate mutually acceptable compromise between Italians and Yugoslavians . . .[5] there the matter rests so far as Soviets are concerned. In our opinion there could be no question of our agreeing to any Soviet demand in any four power talks to agreement to implementation FTT since there is no legitimate Russian interest in problem and concessions to their point of view could therefore play no part in relieving general East-West tensions. Their interest in matter is obviously ever-present interest of sowing discord wherever possible.

(2) Re question of withdrawal US–UK troops leaving aside purely military-strategic considerations we believe psychological effect on Italians would be most unfortunate and that action would be widely interpreted as liquidation of commitment in conformity with some underlying strategic plan of moving back from untenable (Italian frontier) position.

III. (1) Should Department decide urge Italy and Yugoslavia negotiate secretly we presume it would be on assumption governments would be able reach agreement voluntarily. That case Embassy would agree that powers should refrain entering into territorial aspect negotiations.

(2) Although Embassy would agree desirability give thought possible methods implementing any Italian-Yugoslavian agreement would seem not be matter urgency until we first have some indication kind of agreement which might ultimately be reached.

(3) Re question French participation Embassy would strongly recommend French be included in view of strong and sympathetic interest of French in negotiation March 20 proposal.

IV. To sum up: While Embassy appreciates in arriving decision Department must take into consideration factors beyond competence and cognizance this Embassy, from point of view Italian-US relations, and as we see broader problem from here, it would appear our basic objective of maintaining security of the area can best be served in present circumstances by continuing to encourage Italian-Yugoslavian *rapprochement* through gradual resolution of outstanding differences as feasible. It would not be in interest Italians, Yugoslavians or ourselves to attempt force solution issue which, in present circumstances, cannot be resolved. An unsuccessful attempt might very well embitter Italian-Yugoslavian relations

[5] Ellipsis in the source text.

to a degree that would cancel out good progress thus far made in sound *rapprochement.*

DUNN

No. 88

750G.00/1-551

The Chief of the ECA Mission in Trieste (Galloway) to the Administrator for Economic Cooperation (Foster)

CONFIDENTIAL TRIESTE, January 5, 1951.

DEAR MR. FOSTER: Attached you will find a report prepared by this Mission in which we recommend the elimination of ECA aid to Trieste at the end of the present fiscal year, June 30, 1951. The basis of this recommendation is the fact that Trieste does not need any actual dollars. It has available for dollar needs the free dollars which are created by troop pay and port services, which are turned over to Italy. These free dollars are ample for Trieste requirements since most of its purchases are made in Europe, largely in Italy. Our foreign purchases are now confined largely to petroleum and wheat, the petroleum being processed and the finished product moving into Italy, the result being that we use our dollars to create lire counterpart.

I have discussed this proposed elimination of aid with the Director of Finance and Economics of the Allied Military Government but have not as yet submitted it to General Airey, the Zone Commander. Unfortunately, he has been on leave and will return next week, at which time I will go into the matter with him thoroughly. This is being mailed prior to submitting it to General Airey in order to have it mailed via official pouch. There will be objections, of course, to such a move but this is to be expected. [1]

Sincerely,

ROBERT GALLOWAY

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[1] In telegram Torep 879 to Paris, February 7, Foster replied to Galloway's letter by pointing out that termination of aid to Trieste after June 1951 could not be decided independently of the economic interrelationship between Italy and Trieste and the political factors deriving from the special position of the United States in Trieste. (ECA message files, FRC 53A278, Paris)

Annex No. 1

Report Prepared by the Chief of the ECA Mission in Trieste (Galloway) [2]

CONFIDENTIAL TRIESTE, January 4, 1951.

A REPORT RECOMMENDING THE ELIMINATION OF ECA AID TO TRIESTE FOR THE FISCAL YEAR 1951–1952

It is evident that in view of the improved economic condition of the Zone and the surplus of funds that will become available, ECA aid can be eliminated with the close of the fiscal year, June 30, 1951. This can be accomplished (with the minimum of comment) without disturbing the economic and political aspect of the Zone.

In reviewing this recommendation, consideration must be given to the fact that Trieste has enjoyed a larger per capita dollar aid from ECA than any other participating country. Not only has this aid been made available, but under the Italian Peace Treaty and, specifically, under the Finance Agreement of March 9, 1948, section (ii) article 1: "The Command of the Zone and the Italian Government agree on the necessity that the latter should receive adequate financing for the particular needs of its administration. The Italian Government declares itself ready to supply such financing." In view of this second source of financial assistance, the ECA counterpart fund has lost, in Trieste, its essentiality and no longer occupies the position of prime mover in the Zone's economy. The Territory is supported on one side by the Italian Government meeting the budgetary deficits and on the other by ECA furnishing dollar aid for economic recovery.

This double income has resulted in the ability of the Allied Military Government to switch projects from ECA sources to inclusion in its budget almost at will. Financing by the Italian Government has grown to the extent that industrial loans made with these funds are in excess of the loans made from ECA counterpart funds.

This Mission believes that all investment funds available to AMG—counterpart, Italian Government financing and operational revenues—should be treated as a unit. Investment projects should be accepted or rejected on an overall priority basis with a single set of criteria in order to give proper direction to overall investment.

In view of the substantial quantity of free dollars made available to the Zone by Italy in return for foreign exchange earnings in Tri-

[2] The covering sheet and eight other annexes which provided supporting financial data, such as the "Trieste Lire Counterpart Investment Program" or an "Analysis of the AMG Revenue and Expenditure," are not printed.

este, there is no further need for ECA dollars to overcome a dollar shortage. ECA dollars now being provided are used for the creation of lire funds largely by procurement of commodities which are processed in Trieste for the Italian market. It has recently been proposed that ECA dollars be used exclusively for the purchase of petroleum and wheat, all other dollar purchases to be made from these free dollar sources. These free dollars, derived principally from troop pay and dollar service collections in the port of Trieste, average in excess of seven million dollars annually. It is felt that this sum is adequate to provide currency to cover dollar expenses for the Zone.

One fundamental reason for the recommendation for the elimination of further dollar aid is due to the successful manner in which the officials of the Allied Military Government have carried out the administration of the Zone. Revenues have been substantially increased each year; unemployment has been reduced; under normal government operations a balanced budget and an operating surplus have been obtained. A successful housing program has been undertaken. New industries are entering the Zone. Despite the lackadaisical, yet acquisitive, attitude of some of the Territory's wealthier inhabitants, the Military Government administration has achieved substantial and constructive results.

ROBERT E. GALLOWAY

No. 89

665.68/1-951

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington)

SECRET [WASHINGTON,] January 9, 1951.

Subject: Italo-Yugoslav Negotiations—Free Territory of Trieste

Participants: Mr. Luciolli, Counselor, Italian Embassy
Mr. Byington, WE

Mr. Luciolli inquired with regard to an item in the periscope of *Newsweek* which inferred that one of the subjects in which the United States might be disposed to make concessions to the Russians was the issue of Trieste. [1] He said that I undoubtedly was fully aware of his Government's interest in this matter and inquired what comment I could make on the *Newsweek* report. He wished to know particularly whether the United States proposed to

[1] The article under reference appeared in *Newsweek*, January 8, 1951, p. 14.

include Trieste in its preliminary conversations with the British and French prior to a further reply to the Russian note. [2] He asked me whether the Department could give the Embassy any assurances in this regard because this report would undoubtedly be carried in Italy and, if true, cause the utmost concern to the Foreign Office.

I said that as of the present moment the issue of Trieste had not in any way been discussed with reference to the meeting of the Council of Foreign Ministers. I said that it was obviously an issue if conversations progressed further which might be raised by the Soviet Government and I assumed that in due course studies of the question might well be prepared for use in that connection should it arise. I pointed out that as he knew, there was no change in our position up to the present time. I also pointed out that in all discussions concerning Trieste we had meticulously kept the Italian Government informed and I did not expect that we would deviate from this policy. I emphasized, however, that this could not be taken as a commitment on the part of the Department. It was based on my knowledge of our approach to this question drawn on a number of years of experience.

Mr. Luciolli then went on to recount certain recent developments in the relations between the Italian Embassy and the Yugoslav Embassy in Washington. He said that some sort of a campaign was unquestionably underway, although up to the present time it had consisted of a gastronomic and photographic bombardment. The campaign began with a conversation between the Yugoslav military attaché and the Italian military attaché, in which the former emphasized the desirability of Italy and Yugoslavia settling outstanding differences and that the question of Trieste should certainly be resolved. Step number two was the invitation to luncheon by two first secretaries of the Yugoslav Embassy to Mr. Bounous, first Secretary of the Italian Embassy. At the luncheon the first secretaries conversed along the same lines. Step number three, the Italian Ambassador had now been invited to dinner by the Yugoslav Ambassador and they were waiting to see the developments from that. Step number four—Mr. Luciolli, who then expected an invitation to luncheon from his opposite number, had suddenly received a large photograph of himself with the Yugoslav Ambassador and Madame Popovic, with greetings. Mr. Luciolli was going to acknowledge this with a nice note to the Ambassador.

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[2] For documentation on the exchange of notes with the Soviet Union and the subsequent negotiations relating to a possible meeting of the Foreign Ministers of the United States, the United Kingdom, France, and the Soviet Union, see vol. III, Part 1, pp. 1048 ff.

Mr. Luciolli continued that it was the Italian Foreign Office's view that Italy should under no circumstances discourage any overtures on this subject by the Yugoslavs and that it was in the mutual interest of both countries that a settlement of the Trieste question should be accomplished. Up to now the Foreign Office had been convinced that solution was not possible because the Italians could only consider minor rectifications of Zone A and B along ethnic lines, which would be unacceptable to the Yugoslav Government. He expressed his concern over their recent advances because he was afraid it might lead to an upheaval similar to that which occurred last year when after preliminary conversations, the Yugoslavs had jettisoned the whole project with statements to the press which excluded any further progress and damaged relations between the two countries. He said that relations with Yugoslavia had recently been improving and it would be a mistake at this time to enter into this subject unless there was a real desire on the part of the Yugoslav Government to reach a compromise along the lines desired by the Italians in return for favorable arrangements between the two countries, economic, political, and possibly in the future, military. I refrained from comment except to point out that it would indeed be to the mutual advantage of both countries if they could reach an understanding and that I felt neither party should discourage any advances of the other.

In conclusion, Mr. Luciolli speculated on the possibility that the Yugoslavs had now become agitated also on the basis of the *Newsweek* report because of fear that we might make concessions to the Russians which would be undesirable to them.

No. 90

750G.00/1-1851: Telegram

The Secretary of State to the Office of the United States Political Adviser at Trieste [1]

SECRET WASHINGTON, January 18, 1951—5 p.m.

368. Brit Emb informs Dept FonOff in response Dept's views as outlined Deptel 322, Dec 29, [2] strongly supports Gen Airey in his

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[1] Drafted by Greene and cleared with Colladay, Byington, EE, and UNP; repeated to Rome and Belgrade.

[2] Telegram 322 stated the Department of State position that it was willing to leave to General Airey's discretion the questions of timing and arrangements for the administrative elections in Zone A but felt that he should avoid making a public commitment that the elections would be held within a designated period of time. (750G.00/12-2950)

desire to make early public announcement re Zone A elections and hopes Dept will withdraw proposal announcement be postponed until last possible moment required by election order. FonOff believes Dept's proposal impracticable in view Gen Airey's intentions individual communes will be free hold elections on dates selected by communal councils; does not believe announcement wld limit AMG's freedom of maneuver or that of US or UK if later events render elections unnecessary. [3]

In circumstances Dept informing Brit Emb will defer to FonOff views on understanding that Gen Airey's announcement will be along lines that elections will be held this year in accordance election order and that if reference to dates is included, will be statement that individual communal councils will select dates within specified limit, if FonOff desires limit to be set. [4]

If Gen Airey makes announcement report full text Dept. [5]

ACHESON

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[3] The British Embassy informed the Department of State of its position on January 15; a record of this meeting is in file 750G.00/1-1551.

[4] The British Embassy was informed of the Department of State position on these matters on January 19. (Memorandum of conversation, 750G.00/1-1951)

[5] As instructed, Unger reported to the Department of State that the following announcement would be released by the AMG on January 26:

"Zone Commander announces that communal elections will be held British/US Zone, FTT, during 1951 accordance with regulations which will be published by Allied Military Government. He has instructed zone president inform all present elected communal councils that they should arrange to complete elections their communes not later than 31 December 1951." (Telegram 411 from Trieste, January 26, 750G.00/1-2651)

No. 91

750G.00/2-2651: Telegram

The Acting Secretary of State to the Embassy in Italy [1]

SECRET PRIORITY WASHINGTON, February 26, 1951—6 p.m.

3778. Trieste tel 464 Feb 16, rptd Rome 95, London 11. [2] Dept shares Gen Airey's concern over Ital policy of attempting to assert

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[1] Drafted by Howard J. Hilton of the Office of Western European Affairs and cleared with Greene, Colladay, Williamson, Bonbright, Coe of BNA, Marcy of EE, Stein of UNP, and Land of L/GER; sent also priority to London and USPolAd in Trieste.

[2] Telegram 464 listed in detail the actions that the Italian Government initiated in its attempt to extend its sovereignty over Trieste during the previous 3-month period. General Airey and his U.S. and British Political Advisers agreed that the situation was becoming intolerable and that open and acrimonious conflict with the Italian Government was not far off. (750G.0221/2-165)

Ital sovereignty over Zone A. Ital actions including appt Palutan as prefect, incorrect involvement Ital Mission Trieste in local politics, attempts influence local admin, transfers *di ruolo* personnel without consultation with AMG, failure discussions establishment appeals procedure in Trieste etc cannot be ignored. At same time Dept also aware Ital grievances outlined Rome's 3685 Feb 23, rptd London 418, Trieste 104. [3] We believe best initial approach wld be mtg with Ital officials along lines suggested Rome's 3684 Feb 23, rptd London 417, Trieste 103. [4] Suggest desirability including AMG Rep in this discussion. Discuss with Brit FonOff and Brit colleagues Rome, Trieste possibility arranging such mtg.

In any gen presentation of our position emphasize fol points:

1. US and UK Govts jointly responsible for admin Zone A Trieste, not out of own desire, but in execution obligations under Ital Peace Treaty.
2. Since Ital sovereignty over FTT was terminated by Art 21 upon entry into force of Peace Treaty, AMG Trieste has legal responsibility to Security Council UN for admin Zone A just as Yugo has this same responsibility for admin Zone B.
3. US cannot abrogate its share of responsibility to Security Council for admin Zone by permitting arrogation Ital sovereignty over Zone A until some settlement is reached under which US wld be relieved of its responsibility.
4. Coop and assistance in development and admin Zone A extended by Ital Govt to AMG greatly appreciated as AMG has publicly recognized and will reiterate in forthcoming report to Security Council.
5. It is desire of US that relations between AMG and Ital Govt be close, and involve full and frank expressions of views in spirit of friendliness and recognition of common purpose, but this cannot be the case, if Ital Govt shld pursue a policy which threatens involve it in public conflict with AMG and indirectly US and UK and UN over interpretation and application Ital Peace Treaty.
6. US therefore hopes that there will be no repetition actions by either side which implicitly raise question sovereignty FTT.
7. Ital shld be assured that proposal Mar 20 1948 for return FTT to Italy continues to reflect US policy.

Brit Emb has been informed.

WEBB

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[3] Telegram 3685 reported that in response to protests from the British about the situation in Trieste, the Italians listed recent examples of actions taken by the AMG that increased the friction in Trieste. (750G.0221/2-2351)

[4] Telegram 3684 contained Ambassador Dunn's suggestion that the U.S. and British Political Advisers in Trieste come to Rome for informal conversations with the Foreign Office and representatives of the two Embassies. (750G.0221/2-2351)

No. 92

750G.022/3-551: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State [1]

SECRET LONDON, March 5, 1951—6 p.m.

4766. Contents Deptel 4013, March 3 (repeated 3884, Trieste 502, Belgrade 885), [2] passed to Foreign Office today. Foreign Office grateful for Department's account Secretary's talk with Tarchiani, substance of which Foreign Office is in complete agreement. Italian Ambassador here had apparently given somewhat different version emphasizing reaffirmation of March 20 to exclusion all else. Italian Ambassador had sought in vain to persuade Strang to make statement comparable to that he attributed to Secretary.

Foreign Office concurs with substance of views second part first numbered paragraph reftel except for last half last sentence. [3] Italian and Yugoslav Ambassadors here had another in series of informal meetings on March 3 at which, according to Italians some progress made on subject Trieste. It was first time participants got down to examining maps. Yugoslav Ambassador took line similar to that of Mates in Belgrade's 1207 to Department (repeated Rome 78, Trieste 52). [4] Foreign Office thinks Yugoslavs definitely anxious to reach early settlement with Italians and believes that Italians here encouraged by latest talk to think that such may be possible. Foreign Office therefore prompting both sides to pursue discussions and if by any chance general agreement reached before Four Power talks to allow US–UK to examine and comment on agreement before it is formalized. Foreign Office believes Italians may fear that Western Powers in face persistent Soviet efforts tie Trieste to Austrian treaty and in interests obtaining latter, will revert to peace treaty provisions for Trieste settlement; such fear may spur Italians to attempt reach direct settlement prior Big Four meeting.

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[1] Repeated to Rome, Trieste, and Belgrade.

[2] Telegram 4013 summarized the views of Secretary Acheson concerning Trieste as he expressed them to Italian Ambassador Tarchiani in a conversation held on January 15. (750G.00/3-251) For a memorandum of Acheson's conversation with Tarchiani, see Document 245.

[3] The half-sentence under reference reads: "nor is Dept prepared prompt either Ital or Yugo govts enter discussions under present circumstances."

[4] Telegram 1207 summarized a conversation between Mates and Allen during which Mates stated that the position of the Yugoslav Government was one of willingness to negotiate with the Italians on the basis, in principle, of Zone A to Italy and Zone B to Yugoslavia with minor modifications along ethnic lines. (750G.00/3-251)

Re numbered paragraph four [*three*] , [5] Foreign Office assumes Italians will take described line but thinks Cominform and not anti-Cominform Commies will campaign on FT independence platform. However, Foreign Office hopes avoid possible consequences suggested in reference paragraph by prompting Italo-Yugoslav settlement.

GIFFORD

[5] Paragraph 3 described the Department of State concern that Italians would campaign for continued Italian sovereignty over Trieste while pro-Tito Communists in Italy would campaign for Trieste's independence, leaving the AMG "caught in the middle."

No. 93

ECA message files, FRC 53A278, Paris: Telegram

The United States Special Representative in Europe (Katz) to the ECA Mission in Trieste [1]

CONFIDENTIAL PARIS, March 6, 1951—4 p.m.

Repto 17. AMG Trieste for Unger.

Reference (a) Galloway-Wood letter January 5. [2] (b) ECA-AMG joint statement re future aid February 3. [3] (c) Dayton memorandum February 7.[3] (d) Trieste's 445 to Department, repeated Paris 22, Rome 93. [4] (e) Department Torep 879, repeated Trieste Ecato 14, Rome Ecato 134. [5] (f) Department [*Paris*] Repto 657, repeated Trieste Repto 14, Rome Repto 125. [6]

After review of reference documents and Daspit's report discussions Trieste and Rome, OSR has formulated tentative position re continuation ECA program to Trieste in fiscal 1952. Propose send following message to Washington as OSR recommendation, but prior this action invite your comments.

1. Account must be taken initially of virtual economic union with Italy, sharing common pool foreign exchange reserves. ECA aid to Trieste has, therefore, been of benefit to Italy as well, both directly through ECA financed imports on Italian account, and indirectly, in that receipt aid by Trieste and resulting generation counterpart

[1] Repeated to Rome as telegram Repto 142 and to ECA as telegram 1017, which is the source text.

[2] This is presumably a reference to the Galloway letter, Document 88.

[3] Not found in Department of State files.

[4] Telegram 445 reported Unger's recommendation that ECA aid for Trieste not be terminated since this would result in Trieste's loss of economic independence from Italy. (850G.00R/2-951)

[5] Not printed, but see footnote 1, Document 88.

[6] Not printed.

have decreased necessary Italian contribution of dollars from common foreign exchange pool and lire to cover Trieste's budget deficit, which Italy is committed to supply. Termination ECA aid to Trieste would increase Italian contribution required both dollars and lire. Consequent increase Italy's own dollar requirements would justify some increase in ECA aid. Properly stated, therefore, issue not whether aid to Trieste should be terminated, but whether should continue be supplied directly to Trieste or indirectly through Italian program.

2. Either method appears satisfactory as regards Trieste's economic requirements. Issue primarily political: would advantage of effecting nominal elimination of program outweigh disadvantage of adverse psychological effects on Trieste population, and of increasing zone's economic dependence on Italian Government. AMG and Rome Mission strongly favor continuation direct aid and OSR unaware any countervailing considerations which would justify overruling them. Accordingly, recommend continuation in fiscal 1952.

3. Agree Trieste mission that separate mission not required after present fiscal year. Mission functions have tailed off markedly and no developments in sight which would require ECA's permanent representation in spot.

Believe responsibilities should be transferred Rome Mission which would be formally designated mission to Trieste. Desirability reinforced by consideration urged by Rome mission: need formulate US economic policy in Trieste with adequate reference US policy in Italy.

4. Believe over-all ECA program should be developed for Italy and Trieste jointly, with Trieste component clearly earmarked and separable. Specific sum would be available Trieste, together with resultant counterpart. Believe this arrangement, while maintaining identifiable program of ECA aid to Trieste in accordance AMG wishes, would permit desirable integration with Italian program.

5. Believe closer harmonization Trieste and Italian investment programs desirable, including consideration former in relation system of priorities which Rome Mission has worked out with Italian Government. Moreover, may be desirable consider Trieste facilities in connection with those of Italy when program of defense production developed and MDAP assistance determined.

6. Do not imply Rome Mission should have veto power or final authority to fix AMG program, since clear that objectives occupation authorities and ECA in Trieste not identical. Believe, however, common line on matters of common concern should be developed by Rome Mission and AMG before either undertakes negotiations with Italians. By providing formal arrangements recommended above, which would involve review by Rome Mission of AMG program prior to negotiations with Italian Government, more effective coordination of policy should be automatically secured. To provide against eventuality that differences may develop which Rome Mission and AMG unable resolve, procedure should be established whereby these can be readily referred to higher authority for decision.

KATZ

No. 94

Editorial Note

Italian Prime Minister De Gasperi and Foreign Minister Sforza arrived in London on March 12 for 3 days of talks with Prime Minister Attlee and Foreign Secretary Bevin. During these discussions, the British Government reaffirmed its support of the tripartite declaration of March 20, 1948, although it emphasized its desire that the matter be settled by conciliation between Italy and Yugoslavia. For a report on these talks by Ambassador Dunn, see telegram 4198 from Rome, Document 264. The official communiqué issued after the meetings is printed in Folliot, *Documents on International Affairs, 1951,* page 89.

No. 95

750G.00/3-1751: Telegram

The Ambassador in Yugoslavia (Allen) to the Secretary of State [1]

CONFIDENTIAL BELGRADE, March 17, 1951—3 p.m.

1316. Dep FonMin Mates asked me to call at Fon Off today re Trieste. He said Yugoslav Government had been distressed by recent reaffirmation of March 20 declaration in Washington and London, since Yugoslav Government felt that such reiteration cld not contribute to settlement of Trieste question. He referred particularly to statement in Radio Bulletin No. 64, Mar 15 [*14*], [2] that there had been no change in US position from that expressed three years ago, and said that our demand for return of whole territory to Italy and our simultaneous expression of desire for mutually agreed solution indicated that Yugoslav Government had unfortunately not yet succeeded in making its position clear to US on Trieste, despite Yugoslav efforts to do so on many occasions, and particularly on March 2 (Embtel 1207, Mar 2 [3]). He felt, moreover,

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[1] Repeated to Paris, London, Rome, and Trieste.

[2] The Department of State Wireless (Radio) Bulletin No. 64 of March 14 summarized a statement made by the Department's Press Officer McDermott. The Wireless Bulletin was the official news service of the Department of State. Prepared in the Division of International Press and Publications and transmitted daily by radio to various foreign service posts abroad, it contained statements by officials of the government, editorial opinion from American newspapers, and other important information. Foreign language editions were distributed in various cities by the U.S. Information Service.

[3] Not printed, but see footnote 4, Document 92.

that action of US and Brit Govts in making public reiteration of this point of view at present time, when Ital public was agitating matter, was not in line with Yugo efforts to restrain such agitation. Mates thought Sovs had raised Trieste question primarily to create discord between Yugo and West and that we were aiding Sov maneuver. [4]

I said I wld report Yugo Government's views to my government. I recalled that US had not wished Trieste question to be raised at Paris meeting but that since Sovs had raised it, we had felt called upon to state our position.

Similar representations were made simultaneously to my Brit and French colleagues today.

ALLEN

[4] During the first week of the Four-Power Exploratory Talks in Paris, the Soviet Representative attempted to link the Trieste question with the discussion of the Austrian Treaty.

No. 96

Austrian-Italian Desk files, lot 54D541, 1601—Italy, 1951

Leonard Unger, United States Political Adviser to the Commander of the British-United States Zone of the Free Territory of Trieste (Winterton), [1] *to the First Secretary of the Embassy in Italy (Horsey)* [2]

SECRET
OFFICIAL–INFORMAL

[TRIESTE,] March 28, 1951.

DEAR OUTER: Your letter of March 20 [3] has been helpful in giving us the atmosphere of your discussions with the Italians on the current unpleasantness. I can see the difficulty of talking in Rome when you are not informed on the facts concerning each of the detailed complaints which the Italians raise. As you may guess, we ourselves are often not informed on these matters since they are mostly of such an inconsequential nature that, until raised, they have not seemed in any way controversial or worthy of attention. After all, if the Italian Government is really concerned over a fancied change in AMG policy should they not have been persuad-

[1] Gen. Sir Terrance S. Airey was replaced by Maj. Gen. Sir John Winterton as Commander of the British-U.S. Zone, March 19, 1951.

[2] A copy sent to Greene in the Department of State is the source text.

[3] This letter reported the difficulties of negotiating with the Italians over the policies of the AMG in Trieste. (Austrian-Italian Desk files, lot 54D541, 1601—Italy, 1951)

ed by the explanations (which have seemed quite satisfactory to me) given them for all the cases that they have raised. Is it reasonable that every new point, however petty, should immediately require a full justification or else it reawaken their worst fears? Their attitude seems even more unreasonable when you consider that the other evidence, including many cases of a more substantial nature than stencils on railroad cars and signs over tobacco shops, should have satisfactorily demonstrated to them the good faith of our administration here.

I was pleased with the talk that Tommy and Dean had with Guidotti although I agree that it was not conclusive.[4] My hope had been, as I gather it had been yours in Rome, that the matter could be forcefully handled and perhaps settled in the course of the meetings in London.[5] I find that we were sadly deceived in that hope since none of the reports coming from those meetings indicate that the question was ever even raised. Now we are faced with the problem in a more acute form which it seems to me more than ever calls for high-level representations. This time it is not a matter of the Italian mission or Trieste's irredentist groups but rather the Italian Government itself. I am referring to the recent action of the Rome Court of Cassation which I reported in my telegram 567 of March 22, 1951.[6] I can now add to that the fact that one Trieste case has apparently already been referred by the Rome Court for retrial in Venice. Under the established procedure the case comes back to our courts for referral to Venice and, in view of the stop order imposed by the Director of Legal Affairs which I mentioned in my telegram under reference, the referral to Venice has not taken place. Our legal people are now studying the official documents on the Rome Court of Cassation's decision and related matters and we will shortly report more fully on this with our recommendations, but it seems to me that we may now be reaping the fruit of having left this question to be handled in London.

This whole unpleasant situation makes one wonder whether we should go on fighting the Italian encroachments or whether it might not be easier to relax and let them take over the Zone *de*

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[4] The conversation under reference concerning the situation in Trieste between Llewellyn Thompson, U.S. Minister in Rome; Patrick H. Dean, Counselor of the British Embassy in Rome; and Gastone Guidotti, Secretary-General for Political Affairs at the Italian Ministry of Foreign Affairs, is summarized in despatch 2586 from Rome, March 6. (750G.00/3-651)

[5] Presumably a reference to the talks mentioned in paragraph 2 of telegram 4766 from London, Document 92.

[6] Telegram 567 reported that the Rome Court of Cassation decided that appeals from Trieste would be admissible in its chambers and that AMG orders to the contrary were void, thereby crippling the authority of the AMG and the courts within its jurisdiction. (750G.0221/3-2251)

facto, pending such time as they can take it over *de jure* in implementation of the tripartite proposal. Certainly a terrific number of cables and despatches could be eliminated and our relations with the Italian Government would be free of the thorny question. However, as I am sure you know, I do not believe this course can be seriously considered in view of our undertakings under the Peace Treaty and before the Security Council and to keep our good name internationally. I believe we have no choice but to insist that Allied Military Government be recognized as undisputed authority for the administration of this Zone. This is not to say that its administration will not be guided by the reality of the March 20 proposal as well as the terms of the Peace Treaty and other considerations.

I am as interested as you in the "examining maps" going on in London or anywhere else although I must confess that my optimism on this score is tempered by a recollection of many past false starts, by the feeling that the Italian Government probably does not want to risk the internal crisis which the announcement of an agreement with the Yugoslavs would entail and the Yugoslavs like things fine as they are.

To go back to the point about the PolAds visiting Rome, I am naturally prepared to do so if it seems useful. However, I think the issue is one of making the Italian Government recognize the spirit of our actions taken as a whole, which is obviously as friendly as it can be, rather than our having to reassure them on every petty point. And much more, they must themselves be prepared to respect the *status quo* and desist from such provocations as their conduct in the Court of Cassation issue.

Sincerely,

LEONARD UNGER

No. 97

ECA message files, FRC 53A278, Paris: Telegram

The Administrator for Economic Cooperation (Foster) to the United States Special Representative in Europe (Katz), at Paris

CONFIDENTIAL WASHINGTON, May 3, 1951—8 p.m.

Torep 2951. Reference—Repto 1852. [1] Review Trieste question indicates variety of persons with varying degrees of interest have

[1] This telegram requested information about the decision concerning whether or not the ECA Mission in Trieste would continue. (ECA message files, FRC 53A278, Paris)

helped make U.S. position maintenance Trieste Mission quite unclear. This cable attempts set forth current State-ECA view for consideration and appropriate action OSR.

All concerned agree advisability reducing Trieste aid and size Mission; however, Perkins feels politically important continue ECA representation in Trieste independent of ECA/Rome. Feel desirable accede to Perkins' view unless you have strong objection.

Projected ECA work Trieste will presumably require one fairly high level person for PA's screening requirements, follow-up Trieste production (especially ships), general review economic situation and supervision remaining counterpart. Because special nature these tasks feel shld continue to be directed by ECA appointee with status of ECA Mission Chief.

Would like emphasize wish to follow your judgment size of supporting staff and extent to which OSR might provide direct support so as to minimize staff requirements Trieste.

Our present information Galloway prepared return unless other assignment available. [2]

FOSTER

[2] In telegram Repto 2237 from Paris, May 15, Katz informed the ECA that he concurred with the Department of State view that it was necessary to maintain the ECA Mission in Trieste. (ECA message files, FRC 53A278, Paris)

No. 98

665.68/5-3051

Memorandum by Joseph N. Greene of the Office of Western European Affairs

SECRET [WASHINGTON, May 30, 1951.]

CASSATION

I have had long talks with the Political Section of the Embassy in Rome and with USPolAd, the Zone Commander, and the AMG Legal Adviser at Trieste on Cassation. AMG feels very strongly that this is a key issue and that if we in any way recognize any competence of Italian courts in Zone A matters, we will open the way to virtually complete Italian take over. There is no disagreement with this analysis of the importance of the issue on the part of the Embassy.

The matter cannot simply be left without further action on our part, because the judicial processes have almost come to a stop in Trieste and the Legal Adviser is suspending replies to a large

number of communications from the courts and lawyers asking where matters stand.

The Embassy at Rome would not object to quietly telling the Italian Government that we do not want a fuss over this issue but that AMG cannot recognize the jurisdiction of Italian Courts over Zone A or give effect to judgments of those courts. They do not have particularly strong feelings whether this is done before or after the administrative elections, as it could and should be done quietly as far as the US and UK are concerned. The AMG Legal Adviser will, of course, have to reply to the communications he has received, and it may be that his reply or replies will become public.

It is my estimate that the Italians, both in Italy and Trieste, will keep pushing this thing as hard as they can until we take a stand, that is as long as they think they can beat us down.

The AMG Legal Adviser pointed out that, while the Italians could theoretically defeat us by withdrawing or firing the judges now on duty in Trieste, they probably could not afford politically to do so, as they would then be open to the charge of abandoning the interests of the Italians in Trieste. The Legal Adviser also pointed out that the Trieste judges, being Italian, follow precedents established by Italian courts on Italian law, so that there is no substantive need for formal procedure whereby the Trieste courts could seek the advice of the Rome court of cassation.

It might be borne in mind that if at any future time we are looking for a way to give effect to an Italo-Yugoslav settlement of the Trieste question, one way, among others, to get it started would be to recognize the jurisdiction of the Rome court of cassation over Zone A, or any part of the free territory which is to go to Italy. [1]

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[1] On June 4 the Department of State sent telegram 5435 to Rome (repeated to Trieste and London) instructing the Embassy to reassert the position of the U.S. Government that the jurisdiction of Italian courts over the Free Territory of Trieste could not be recognized. This telegram, drafted by Greene, cautioned the Embassy to avoid an open clash with the Italians on this issue but stressed the need to once again clarify the U.S. position. (750G.31/5–1651)

No. 99

750G.00/7–2451: Telegram

Leonard Unger, United States Political Adviser to the Commander of the British-United States Zone of the Free Territory of Trieste (Winterton), to the Secretary of State [1]

SECRET TRIESTE, July 24, 1951—noon.

93. Recent Ital agitation over Trieste amply illustrates explosive qualities this issue on Ital domestic scene, here and in Yugo. [2] I believe basic cause is passage of three years without concrete action on implementation March 20 proposal coupled with distrust over increasingly close relation US and UK with Yugos. October's communal elections and Ital internal politics are contributing factors which probably also dictated timing of outburst. Recommend Dept now consider action which might reduce agitation in future and following observations submitted as possible aid in such consideration.

Even if pressure brought to bear on Yugos, using leverage of western assistance, understand they almost surely would not accept any interim solution like shifting of zone boundaries (see my immed preceding telegram) [3] which might mollify Trieste or Ital public on zone B issue. On other hand believe *de facto* restoration zone A alone to Italy, even if represented as interim arrangement, would be itself unacceptable in Italy or to pro-Itals here who would regard it with good reason as leading inevitably to abandonment all zone B to Yugo. Therefore only possibility of resolving present tensions as well as long-run Trieste issue appears to be offered by a definitive agreement based on territory's partition roughly on ethnic lines. Believe such agreement feasible on some such basis as following:

1. Cession to Italy practically all zone A and substantial coastal strip zone B.

2. Cession to Yugo remainder zone B (more than half of zone [garble]) and token cessions of zone A along zone A Yugo frontier in Slovene areas.

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[1] Repeated to Rome, Belgrade, and London.

[2] In telegram 145 from Rome, July 10, Ambassador Dunn reported that Italian Prime Minister De Gasperi told him that efforts must be made to prevent the campaign in the Italian press concerning the Trieste question from getting completely out of hand. (750G.00/7–1051) At the same time the Yugoslav press reacted sharply to the Italian agitation and, as reported in telegram 74 from Belgrade, July 18, Tito strongly criticized Italian tactics in a speech in Belgrade on July 13 in which he warned that Yugoslavia would make no concessions of territory. (665.68/7–1851)

[3] Telegram 92 from Trieste, July 24, not printed. (750G.31/7–2451)

Itals apparently not disposed undertake serious negots now even if Yugos should be, according to record of recent London talks of Gallarati-Scotti with Brit, including Morrison, which Dept has presumably seen. [4] Therefore believe that a radical change in our current policy involving readiness to exert pressure for early definitive Ital-Yugo agreement, possibly even to extent of entering substance of question, is called for unless we are prepared to accept continued and probably increasingly hostile agitation here and in Italy coupled with hardening attitude toward Italy on part Yugos.

UNGER

[4] Presumbably a reference to the talks mentioned in paragraph 2 of telegram 4766 from London, Document 92.

No. 100

750G.0221/8-151: Telegram

The Secretary of State to the Embassy in Italy [1]

SECRET PRIORITY WASHINGTON, August 1, 1951—4 p.m.

552. Dept informing Brit Emb it proposes if FonOff agrees hand fol *aide-mémoire* Ital Emb here [2] (re Trieste tel 84 Jul 21 [3] Rome tel 354 Jul 20 [4] London tel 465 Jul 24 [3] London tel 624 Jul 31 [5]):

"Dept of State in consultation with HM FonOff has carefully considered request of Ital Govt that AMG in FTT adopt for next communal elections in Zone A an electoral law based on current Ital law governing similar elections Italy and providing for system of 'linked lists' (*apparentamento*). Dept has noted that Ital Govt's request is based on estimated likely outcome of Trieste communal elections as it affects composition of Trieste Communal Council.

[1] Drafted by Greene and cleared with Williamson, Bonbright, Campbell, and UNP; repeated priority to Trieste, Belgrade, and London.

[2] On July 20 an official from the Italian Embassy formally requested that the Department of State approve the adoption by the AMG of an electoral law providing for linked lists for the October communal elections; he claimed that this system had proved its value in combating Communism in Italy and therefore should be adopted in Trieste. The Italian request and the Department's initial response are summarized in telegram 84 to Trieste, July 20. (750G.00/7-2051)

[3] Not printed.

[4] Telegram 354 informed the Department of State of Ambassador Dunn's recommendation that the linked-list voting system be adopted in light of its importance to Prime Minister De Gasperi and his efforts to quell the nationalistic agitation in Italy. (750G.00/7-2051)

[5] Telegram 624 reported that the British Foreign Office was of the opinion that the original AMG decision against the linked-list voting system should be upheld since the old electoral law produced satisfactory results, and any change now would harm the prestige of the AMG. (750G.00/7-3151)

As Ital Emb aware AMG considered this matter in Jan and Feb 1951 and then concluded that electoral law under which Zone A communal elections were held 1949 (AMG Order No. 33 of 1949) is better suited to present local situation Trieste than wld be law based on linked-list system. Accordingly Gen Airey announced Feb 9, 1951 that regs covering elections this year wld fol pattern of AMG Order No. 33.

Dept of State has consulted Allied auths in Trieste, fol Ital Govt's request, and finds situation there has not so changed as to warrant change now in plans publicly announced by AMG. Dept is confident Ital Govt will share its concern that AMG, and US and UK Govts, not open to ques their attachment to democratic principles thru altering in a time of stress electoral law announced after careful deliberation.

Dept is also confident Ital Govt will understand US Govt must consider broader implications of this ques as they affect problem of future of Trieste. Dept does not consider that acceding to Ital Govt's request wld contribute to realization of policies of US and Ital Govts re Trieste. In addition, results of popular vote in Trieste which wld not be affected by proposed change, provide best reflection of sentiments of population there, and are thus of greater significance to US and Ital policy, than composition of communal council, which functions under auth of AMG. Elections held under Order No. 33 have provided and will continue to provide fair and democratic means for people of Trieste to indicate their sentiments."

FYI Dept informing Brit Emb considers fol are compelling reasons for not acceding to Ital request which wld be undesirable spell out to Itals: While Ital Govt has scrupulously avoided basing request on factors outside FTT, broader implications such factors outweigh largely formalistic points re communal council. Dept believes that acceding to Ital request although perhaps having desirable short terms consequences Italy wld in long run hinder rather than help possibility Italo-Yugo agmt on Trieste ques. Yugo Govt wld doubtless resent Allied acquiescence to Ital pressure and stiffen its public position countering Ital demands. In Italy and Trieste extreme nationalist sentiment wld doubtless be fortified and encouraged by impression it can control AMG, thus leading to intransigence vis-à-vis Yugo as well as US and UK. Conversely Dept not convinced failure US and UK to "support" Ital Govt in current context wld significantly or in long run damage de Gasperi's position, but believes ref to relevance this request to overall context Trieste problem may have salutary effect. [6]

ACHESON

[6] In telegram 710 from London, August 3, the Department of State was informed that the British Foreign Office approved the text of the *aide-mémoire* and expected to reply orally to the Italian Embassy in London in a similar vein. (750G.00/8–351)

Continued

No. 101

750G.00/8-351: Telegram

The Secretary of State to the Embassy in Italy [1]

TOP SECRET WASHINGTON, August 4, 1951—3 p.m.

605. Dept considers situation which has developed re specific question Trieste elections in context Trieste problem offers possibilities moving toward solution latter, through Ital-Yugo agreement in package revision Ital Peace Treaty. Dept requests addressees' comments on fol, which Dept wld propose to Brit and Fr to assure joint action.

1. If Mates agreeable, AmEmbassy Rome wld inform Ital FonOff substance Mates remarks to Beam (Belgrade tel 144 Aug 2 [2] and Rome tel 603 Aug 3 [3]).

2. At time of informing de Gasperi of Yugo views, AmEmbassy Rome wld inform de Gasperi we wld be agreeable indefinite postponement elections Trieste as he has requested (Rome tel 596 Aug 3) [4] on clear understanding Ital Govt wld utilize opportunity to make serious effort reach agreement with Yugo Govt on settlement FTT problem. Wld also be explained to de Gasperi that AMG must be in position give public reason for deferring elections, and we wld therefore authorize AMG issue carefully timed statement that it is so doing in order to facilitate efforts reach mutually satisfactory agreement on Trieste in connection larger problem revision Ital Peace Treaty.

3. Before announcement of postponement elections Yugo will be informed of pending action and purpose thereof.

4. Will be essential have Brit and Fr prior concurrence even though only Brit and US might approach Itals as Fr not directly

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A copy of the *aide-mémoire* given to Mario Luciolli of the Italian Embassy on August 6 is in file 750G.00/8-651. As reported in the memorandum of conversation of August 6, when Luciolli learned that the Department of State would not consent to extending the linked-list voting system to Trieste, he requested on behalf of his government that the Department agree to postponing the elections. (750G.00/8-651)

[1] Drafted by Greene and cleared with Williamson, Higgs, and Campbell; sent also to Belgrade and USPolAd in Trieste and repeated to London and Paris.

[2] Telegram 144 reported a conversation between Counselor Beam and Assistant Foreign Minister Mates on August 2 during which Mates stated that his government was willing to attempt bilateral negotiations to reach agreement on territorial and reparations issues after which the Yugoslav Government would inform NATO that it had no objection to revision of the military provisions of the Italian Peace Treaty. (665.001/8-251)

[3] Telegram 603 contained a request that the Embassy in Rome be allowed to inform De Gasperi of Mates' comments to Beam described in footnote 2 above. (750G.0221/8-351)

[4] Telegram 596 summarized Ambassador Dunn's first conversation with De Gasperi since he formed his new government. De Gasperi used the occasion to make a strong plea for the adoption by the AMG of the system of linked parties for use in the forthcoming elections in Trieste. If this could not be done, he then requested that the elections be postponed for 6 months or a year. (750G.00/8-351)

concerned with immediate question elections. Wld expect, however, that Fr wld appropriately support our action.

ACHESON

No. 102

750G.00/8-651: Telegram

The Chargé in Italy (Thompson) to the Secretary of State [1]

TOP SECRET ROME, August 6, 1951—7 p.m.

634. Believe approach outlined in Deptel 605, August 4, 3 p.m., [2] very useful subject to following observations. PriMin expects to leave Rome on holiday about 10 days from now and will not return until beginning of Sept. Since he presently plans to proceed to Ottawa meeting [3] by boat and has many problems to face in connection with formation new govt he will have little time to devote to this problem after next week.

Our proposed action is tantamount to pressure on Ital Govt and if negotiations are to have any prospect of success we believe pressure should be brought on Yugoslav Govt. It would be helpful if in taking the action outlined in reftel we could at least inform Ital Govt that we are urging Yugoslav Govt to reach a settlement on Trieste problem with Italy.

Political director of FonOff informed me that he had discussed with Sforza the conversation with Mallet reported in Embdesp 257 of July 31. [4]

Sforza's comment was that he had tried to reach a settlement but that no Ital Govt could make an agreement giving up more Italians. Also stated that De Gasperi could not go as far as he could in this matter.

We believe that in negotiations Itals would insist upon obtaining all the Ital coast towns but they probably be willing to make economic or other concessions to Yugoslavia. In our opinion Itals are more anxious to reach a settlement than are Yugoslavs but state of

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[1] Repeated to Belgrade, Trieste, London, and Paris.

[2] *Supra.*

[3] The Seventh Session of the North Atlantic Council was scheduled to meet in Ottawa on September 15; for documentation on this session, see vol. III, Part 1, pp. 616 ff.

[4] Despatch 257 summarized a discussion between Sir Victor Mallet, British Ambassador in Rome, and Pasquale Janelli, Political Director of the Italian Foreign Ministry, during which Mallet berated the Italian press for its nationalistic campaign concerning the Trieste issue. (750G.022/7-3151)

public opinion and vulnerability of govt on this issue leave Itals little freedom of action.

THOMPSON

No. 103

750G.00/8-951: Telegram

Leonard Unger, United States Political Adviser to the Commander of the British-United States Zone of the Free Territory of Trieste (Winterton), to the Secretary of State [1]

TOP SECRET TRIESTE, August 9, 1951—7 p.m.

174. With respect to proposal Deptel 605 to Rome, August 4, [2] concur wholeheartedly in our taking aggressive action to secure Ital-Yugo accord in Trieste. As noted mytel 93, July 24 [3] situation here very likely grow worse as time lapses, to detriment AMG and good relations among Itals and Yugos, US and UK. Therefore believe pressure on Ital Govt to face realities Trieste problem and come to agreement is best reply to De Gasperi plea (Rome's tel 586 [*596*], August 3). [4]

Electoral law issue appears to be another smoke screen behind which Ital Govt, while avoiding main issue, is seeking to appease extremists on Trieste. Law, when used 1949 and reenacted last Feb, was identical with Ital law—can hardly be represented now as rejection Italianita. Yielding on this issue would only logically invite Itals exert even stronger pressure on cassation issue which certainly offers greater scope for agitation and embarrassment to AMG. Parenthetically, re De Gasperi comment re campaign (para 2 reftel), am persuaded no matter what law adopted that Ital Govt will not stand by without injecting itself into election situation and that Italianita will necessarily be campaign issue.

Shld Dept's proposal be adopted, before US and UK Govts instructed to announce deferral elections here urge that they make sure that sincere and sustained effort being made by Itals and Yugos to reach agreement. Otherwise there is every likelihood that, to achieve deferral, Itals will give easy assurances which will bring no more results than earlier stated intentions to negotiate (e.g. assurances to Brit FonMin March 1951 in London). In that case AMG will, to no avail, have stirred up considerable agitation

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[1] Repeated to Belgrade, London, Paris, and Rome.
[2] Document 101.
[3] Document 99.
[4] Not printed, but see footnote 4, Document 101.

here and brought upon itself pressure and criticism for playing politics from independentist elements and Cominform and will have damaged seriously its moral position before public. US and UK Govt would inevitably share in criticism.

Specifically, believe that in replying to Itals, we should state we do not consider it appropriate alter electoral law, adding we also have fundamental doubts about deferring elections. We might be prepared to consider latter, however, if we had clear evidence that Italy was making concrete progress toward reaching agreement with Yugo. We could then report Mates conversation with Emb Belgrade (Dept infotel August 6) [5] to Itals and state that we are prepared also to press Yugos to negotiate now and, if desired, would seek to propose common basis as point departure for discussions. In this connection I call Dept's attention to "terms of reference" earlier discussed with Ital FonOff and mentioned Rome's tel 83, May 10, 1950 [6] as such a possible basis.

Another reservation re Dept's proposal is that it would inevitably put spotlight on Ital-Yugo negotiations and produce ferment here, speculation, agitation and pressures in Italy and usual reaction in Yugo. Have always considered that most auspicious atmosphere for negotiations settlement Trieste question would be absolute secrecy with public presentation of agreement only at conclusion.

Foregoing observations entirely personal. Zone Commander unavailable until week-end and I cannot predict his views concerning deferral election. However, he shares my conviction that problem bound to grow worse and bilateral settlement is only means of finally removing sore.

Wish emphasize that foregoing reservations not meant to discourage our taking positive action if in judgment Embs Rome and Belgrade Ital and Yugo Govts can be persuaded follow through promptly with determination to settle problem and willingness to present solution to their people.

In view imminence elections promptest action required. Foregoing written in ignorance contents Belgrade's 144 August 2 [7] and Rome's 603, August 3. [8]

UNGER

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[5] This telegram reported the position of the Yugoslav Government that once bilateral agreement could be reached between Yugoslavia and Italy on territorial and reparations issues, then Yugoslavia would have no objection to revision of the military provisions of the Italian Peace Treaty. (700.00(S)/8-651)

[6] The telegram under reference cannot be further identified.

[7] Not printed, but see footnote 2, Document 101.

[8] Not printed, but see footnote 3, *ibid.*

No. 104

750G.00/8-851: Telegram

The Secretary of State to the Embassy in the United Kingdom [1]

TOP SECRET PRIORITY WASHINGTON, August 9, 1951—8 p.m.

893. 1. Request you inform FonOff reurtel 771 Aug 8 [2] Dept considers we shld accede to Ital request postpone Trieste elections. Inform FonOff of views set forth Deptel Aug 4 rptd London 807 [3] with modification para nrd 2 that Dept now considers AMG shld make simple announcement elections being postponed owing to admin difficulties since public statement first suggested wld probably provoke nationalist reaction Italy and set back negots for agmt. Also inform FonOff Dept agrees with Emb Rome (Rome tel 634 Aug 6 rptd London 78) [4] we shld be able inform Itals we are urging Yugo Govt reach settlement. Dept considers opportunity cld be taken do so when requesting agmt to informing Itals of views reported Belgrade tel 144, [5] at same time informing Yugo Govt of our planned postponement elections and purpose thereof. In addition, Dept considers movement toward revision Ital Treaty is itself pressure on Yugo Govt to settle Trieste ques.

2. Re FonOff reasons for refusing Ital request, inform FonOff Dept:

a) Does not agree postponement elections wld endanger settlement Trieste ques: on contrary considers wld facilitate settlement. In addition reasoning outlined herein and in Deptel 807, consider Yugos wld not need know Itals had requested postponement, and as Yugos can hardly expect any advantage to their policy wld come from election results will be impressed by opportunity postponement gives to reach settlement.

b) Does not agree AMG authority wld be weakened if acceding to Ital request is handled as we propose.

3. Inform FonOff Dept considers that altho specific ques Trieste elections is not of concern to Fr, it is important have them with us

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[1] Drafted by Greene and cleared with Williamson, Matthews, and EE; repeated to Rome, Belgrade, Paris, and Trieste.

[2] Telegram 771 reported that the interim reply of the British Foreign Office to the Italian request for postponing the communal elections in Trieste was negative. (750G.00/8-851)

[3] Same as telegram 605 to Rome, Document 101.

[4] Document 102.

[5] Not printed, but see footnote 2, Document 101.

in this matter. Dept hopes that US and UK can agree promptly and then jointly seek Fr support in approaches to Ital and Yugo. [6]

ACHESON

[6] In telegram 831 from London, August 10, the Embassy informed the Department of State that the British Foreign Office was opposed to the postponement of the Trieste elections unless concrete evidence was offered which showed that fruitful negotiations were underway or were defintely scheduled. (750G.00/8-1051)

No. 105

750G.00/8-2251: Telegram

The Secretary of State to the Embassy in the United Kingdom [1]

TOP SECRET PRIORITY WASHINGTON, August 22, 1951—7 p.m.

1092. Brit Emb here informed first three paras Rome tel 812 Aug 17 [2] and contents Deptel 1060 Aug 20 [3] rptd above posts. According instrs recd Brit Emb, FonOff prepared inform Itals AMG will postpone elections for two months as soon as US and UK informed that Ital Yugo Govts have agreed resume negots for direct settlement on or about specific date.

Also informed Brit Emb we prepared agree with Brit views and replace our phrase Deptel 1060 to London "for a limited period" by "two months". We urged Brit FonOff reconsider its stipulation that Ital Govt first inform us that they and Yugo Govt have agreed resume negots before elections postponed. In light Rome's 812 such an approach to Itals wld have little chance achieving desired results of inducing them open negots with Yugos. If either had to assume responsibility for requesting negots doubtful whether progress would be made. On other hand informing Itals that Tito had indicated Yugo readiness to negotiate we could quite properly urge Itals to reply directly to this Yugo approach. Equally by granting without condition a postponement of elections for two months we would avoid overt pressure to which Zoppi objected.

[1] Drafted by Hilton and cleared with Bonbright and EE; repeated to Rome, Belgrade, Trieste, and Paris.

[2] Telegram 812 summarized a conversation between Minister Llewellyn Thompson and Vittorio Zoppi, Secretary-General in the Ministry of Foreign Affairs, during which Zoppi stated that it was most unfair to expect the Italian Government to negotiate under the kind of pressure which the United States and the United Kingdom were exerting. Thompson recommended that no connection be made between postponing the elections and the Trieste negotiations. (750G.00/8-1751)

[3] Telegram 1060 stated that the Department of State position was one of postponing the Trieste elections "for limited period" together with a statement to the Italians that the purpose of this postponement was to permit bilateral negotiations to settle the Trieste question. (750G.00/8-2051)

Fact elections had been postponed for only two months together with statement that purpose postponement was permit Itals opportunity negotiate with Yugo wld offer inducement. In talking Yugos we shld avoid making Itals responsible for initiating conversations. We might say Tito views had been conveyed Ital Govt and we had expressed hope that direct Ital approach wld be forthcoming in which event we urge Yugos negotiate. [4]

In view urgency decision as indicated Trieste tel 224 Aug 22 rptd Rome 47 Belgrade 42 London 18 [5] effort shld be made secure Brit FonOff approval above procedure soonest. [6]

ACHESON

[4] These views were presented to Ivor Porter of the British Embassy during a meeting on August 21. (Memorandum of conversation, 750G.00/8-2151)

[5] Not printed.

[6] Telegram 1031 from London, August 24, informed the Department of State that the British Foreign Office still considered postponement of the Trieste elections should be made contingent upon agreement to resume negotiations. (750G.00/8-2451)

No. 106

663.68/8-2351

The Ambassador in Yugoslavia (Allen) to the Director of the Office of Eastern European Affairs (Barbour) [1]

PERSONAL
STRICTLY CONFIDENTIAL

BLED, August 23, 1951.

DEAR WALLY: Two days ago Deputy Foreign Minister Vilfan came to see me for a long talk about Trieste. Referring to my conversation with Marshal Tito on August 9, [2] he said that following a further talk between the British Ambassador and Tito a few days later, the Yugoslav Government had come to realize that its position regarding Trieste should be clarified to the British and American authorities to avoid any possible misunderstanding. (*Comment:* It is evident to both Charles Peake and me that Kardelj, Vilfan and the Slovene Government have been after Tito on this matter and feel that his indication of the Yugoslav position to me on August 9 was too generous. While they have not specifically withdrawn what Tito said to me, they now add some further conditions and refinements which give a considerably different picture.)

[1] Also sent to Unger in Trieste and Beam in Belgrade.

[2] This conversation was summarized in telegram 182 from Trieste. (750G.0221/8-1151)

According to Vilfan, the Yugoslav position remains basically that Zone A should go to Italy and Zone B to Yugoslavia. Their second alternative would also provide for placing Zone A under Italian sovereignty and Zone B under Yugoslav sovereignty but with provision for autonomous regimes in both zones, with parallel guarantees not only of minority rights but also a considerable measure of local self government. The Yugoslavs feel that this alternative may have certain advantages over their first alternative since it would permit a special status for the Free Territory which could take into consideration its international geographic and economic position. The Yugoslavs feel that every effort should be made to develop the important potentialities of Trieste as an important international port, not only for northeast Italy and northwest Yugoslavia but also for Austria and a considerable amount of goods of central Europe moving to and from the south. (*Comment:* I myself am impressed by the desirability of doing whatever may be feasible to develop the international geographical position of Trieste and am concerned that the city and harbor, as a mere appendage of Italy, would be likely to become an economically distressed area, leading to possible unrest. Moreover, the more we encourage Austrian trade through Trieste, the less we throw Austria economically, and perhaps politically, into the arms of Germany.)

The third Yugoslav alternative, as now stated, is the worst possible solution, and I have advised the Yugoslavs not to put it forward. They now say that if border rectifications are to take place, the Yugoslavs must insist on all of the predominantly Slovene communes in Zone A, even including those which may lie astride the land route not only from Trieste to Capodistria but also between Trieste and Monfalcone. Thus, while they still offer to give Italy Capodistria, both Capodistria and the City of Trieste itself would become enclaves with communication routes assured to Italy somewhat along the lines of German communication with Danzig across the Polish Corridor. Vilfan readily admitted that this was a highly undesirable solution, which made him hopeful that either the first or second alternatives would be adopted.

This new "explanation" of the Yugoslav position leaves me most pessimistic that any progress in settlement of the Trieste question can be made at the moment. Since this "elucidation" was made in connection with Charles Peake's conversation with Tito, I am leaving it to him to make the formal report of his talks to London, repeated to Washington, but I am anxious to get off this word to you today. The Yugoslav position will probably be subjected to further refinements and I hope it has not yet entirely crystallized.

Sincerely,

GEORGE

No. 107

750G.00/8–2451: Telegram

Leonard Unger, United States Political Adviser to the Commander of the British-United States Zone of the Free Territory of Trieste (Winterton), to the Secretary of State [1]

TOP SECRET PRIORITY TRIESTE, August 24, 1951—noon.

236. Deptel 136, Aug 4. [2] Making election postponement conditional on bilateral negotiations provided logical basis for postponement and also gave us means of maintaining some control over situation. If Dept contemplating postponing elections for two months without conditions attached (Deptel 195, Aug 22 [3]), this suggests possible consequences which should be carefully weighed before final decision taken.

What action is contemplated if at end of two months delay there is still no concrete progress toward Italo-Yugo settlement? This eventuality does not seem unlikely especially since admission of Ital weakness implicit in postponement will further strengthen Yugo position. Itals apparently honestly concerned about election outcome and will be, if anything, less inclined to see elections held in Dec than in Oct. Consider it unlikely that they will have used delay constructively to prepare for campaign and believe their position with electorate will be worse because of admission of weakness. Cannot see that we will have any more reason then than now to refuse postponement since first postponement will not rest on condition that Itals undertake negotiations in interim.

AMG, however, cannot be asked to manufacture administrative reasons for a second postponement. Even first time few persons will be taken in and Independists and Communists will raise clamor about AMG blatantly playing political game for Itals who feared election outcome. Second postponement would inevitably put AMG in position outlined mytel 174, Aug 9. [4]

Obviously, if after two months delay there were concrete evidence of the imminence of a settlement, zone commander could definitely cancel elections on ground that they serve no useful purpose in view impending change in status of zone. If such evidence does not exist, however, believe he will absolutely be obliged proceed with elections.

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[1] Repeated priority to Rome, Belgrade, and London.

[2] Same as telegram 605 to Rome, Document 101.

[3] Same as telegram 1092 to London, Document 105.

[4] Document 103.

Brit PolAd and I have discussed foregoing with General Winterton and Brit PolAd cabling FonOff on similar lines.

UNGER

No. 108

750G.00/8–2851

Memorandum by the Director of the Office of Western European Affairs (Byington) to the Assistant Secretary of State (Perkins) and the Deputy Assistant Secretary of State (Bonbright) for European Affairs [1]

TOP SECRET [WASHINGTON,] August 28, 1951.

Subject: Italo-Yugoslav Conversations Regarding Trieste [2]

Mr. Luciolli said that the Foreign Office had become concerned that the British were under the impression that conversations between Italy and Yugoslavia were being made impossible because of Italian obstructionism and that, in fact, Italy did not want to negotiate with Yugoslavia. The Foreign Office had accordingly instructed the Italian Embassy in London to inform the British Government in strictest confidence with regard to the following:

Recently Count Sforza had authorized an unnamed Italian representative, acting in a private capacity, to converse with an unnamed Yugoslav representative, also acting in a private capacity, with regard to possibility of direct negotiations between the two governments in order to reach a compromise solution regarding Trieste. It was understood furthermore that if there were any leak to the press, the conversations would be denied by both Italy and Yugoslavia. The two representatives met and had a full and frank exchange of views. From this exchange it developed that Italy was anxious to reach a solution based on ethnic lines which would include some concessions in Zone A in return for the Italian coastal portion of Zone B. The Yugoslav representative stated with complete sincerity that the only basis upon which Yugoslavia could negotiate would be on minor rectifications of the present demarkation line between Zones A and B plus return to Yugoslavia of certain Slovene areas in Zone A. The Foreign Office found that the changes in the demarkation line were insignificant and it was mutually decided between the representatives that there was no basis

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[1] Also sent to Reinhardt of EE and the Embassy in Italy.

[2] For information concerning these secret conversations in London during July 1951, see chapter 16 of Carlo Sforza's book *Cinque Anni A Palazzo Chigi* (Rome, Atlante, 1952).

to justify further conversations. The conversations were accordingly dropped and nothing further has developed.

Mr. Luciolli had been instructed to inform us in strictest confidence of this Italian communication to the British Government.

No. 109

750G.00/8-2851

Memorandum of Conversation, by the Secretary of State [1]

SECRET [WASHINGTON,] August 28, 1951.

Subject: Yugoslav-U.S. Positions on Trieste Question

Participants: The Secretary
Yugoslav Ambassador, Mr. Vladimir Popovic
Dr. Mirko Bruner, First Secretary, Yugoslav Embassy
Mr. Frederick Reinhardt, EE

The Yugoslav Ambassador came in at his request. After expressing his government's and his own gratitude for the latest U.S. allotment for economic aid in the sum of $29.8 million, [2] he launched into an exposition of the Yugoslav position on the Trieste question. He said his government had concluded from recent approaches made by Ambassador Allen in Belgrade that the United States Government was very interested in this question. With this in mind, and in order to make sure that the United States Government clearly understood the Yugoslav position, he had been instructed to convey to me the following. It was his understanding that the British Government was being similarly informed.

The Yugoslav Government was fully aware of the importance of an early solution of the Trieste problem . . . . It envisaged three possible alternative solutions:

(1) The establishment of the present zonal boundary as the Yugoslav-Italian frontier, with the assignment of Zone A to Italy and Zone B to Yugoslavia.

(2) The establishment of autonomous areas in Zones A and B which would fall under Italian and Yugoslav sovereignty respectively. The autonomous areas might be coterminous with the present zones or somewhat smaller, depending upon the terms of the agreement to be worked out. In this alternative it would be important that Yugoslavia and Italy should coordinate the degree of autonomy to be extended to the autonomous areas.

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[1] Drafted by Reinhardt.

[2] For documentation concerning economic aid to Yugoslavia, see Documents 825 ff.

(3) The assignment of Zone A and Zone B to Italy and Yugoslavia respectively, but with certain minor rectifications based on the ethnic principle. Under this alternative the Yugoslav Government would envisage Capodistria falling to Italy and the villages between Capodistria and Trieste, which the Ambassador described as Slovene, would go to Yugoslavia. Italy, however, would be afforded the right of rail and road communication between Capodistria and Trieste. Similarly, the Slovene villages between Trieste and Monfalcone would go to Yugoslavia with Italy being granted the same kind of transit privileges.

The Ambassador said he believed the United States could be helpful in creating the right atmosphere for Yugoslav-Italian negotiations and it was important in this regard that American representatives not give support to extremist Italian pretensions by reviving the March 20 tripartite declaration. He said it was necessary to understand that Yugoslavia had suffered greatly from the Italian Fascist occupation and that it would be of the greatest difficulty for Yugoslavia to surrender any territory with which it had come out of the war. Finally he stated that up to the present negotiations with the Italians had been quite impossible because the Italians had insisted upon basing their approach to any negotiations on the tripartite declaration of March 20.

I said to the Ambassador that the question of Trieste was a problem to which I had devoted much attention during the past two years and had sought to be as helpful as possible in assisting Yugoslavia and Italy to come to a resolution of this important problem. It was one of the last unsettled territorial questions in Western Europe and of vital importance to the establishment of enduring good relations between Yugoslavia and Italy. As long as it remained unsolved it presented a dangerous opportunity for Soviet intrigue. The strengthening of the West made imperative its early resolution. It had now become even more pressing with the impending revision of the Italian peace treaty, a revision which had to be accomplished if we were to go ahead with the strengthening of our defenses against Soviet aggression. I said I fully realized the difficulty—in fact the impossibility—of finding an ideal solution to the Trieste question. It had become clear to me that the only possible solution was one which would involve sacrifices on both the Yugoslav and Italian sides. My study of this problem had led me to the conclusion that the only road which offered the possibility of a reasonable settlement was one which was based on the ethnic principle. I was not familiar with the details of the towns and villages involved, but I was convinced that the ethnic solution was the only one, difficult as it might be for both sides, which could be justified before the public opinion of both countries. In these circumstances it seemed clear to me that it was of the highest importance that

both the Yugoslav and Italian governments approach negotiations of this question with an open mind and with reasonably flexible positions. It must be apparent that if they approach negotiations with extreme fixed positions no progress could be made. I said I had occasion to speak along these lines in the past to Italian officials, notably Count Sforza, and I would hope that when the Italian Prime Minister De Gasperi is here I could inform him of Marshal Tito's desire to reach a solution of this question. [3] Furthermore I would speak to him along the line I had approached Italian officials in the past. I would say the same thing to the Yugoslav Government. Finally, I said that I had spoken to the Ambassador as frankly as I knew how and it was my earnest hope that his government and the Italian government could find it possible to resolve the Trieste question along these lines.

The Yugoslav Ambassador thanked me for the expression of my views and rather tentatively suggested that the third Yugoslav alternative would seem most closely to correspond to the point of view I had expressed. [4]

DEAN ACHESON

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[3] For documentation on Prime Minister De Gasperi's visit to Washington, September 24–27, see Documents 309 ff.

[4] The content of this memorandum of conversation was summarized by the drafter and sent as telegram 220 to Belgrade, August 29. (750G.00/8–2951) In response to this summary telegram, Dunn, the Ambassador in Italy, expressed concern that a distorted version of this conversation might reach the Italians and therefore put the United States in a position where it could be accused of bad faith. Since the Secretary of State informed the Yugoslav Ambassador that both Italians and Yugoslavs would have to make sacrifices to settle the Trieste issue, and, since this statement could easily be interpreted as an abandonment of the 1948 tripartite declaration by the United States, Dunn suggested in telegram 1039 from Rome, September 1, that the Italian Government be frankly informed of the remarks made to the Yugoslav Ambassador. (750G.00/9–151) The Department of State agreed that this should be done in strictest confidence. (Telegram 1062 to Rome, September 3, 750G.00/9–151)

No. 110

750G.00/8–2951: Telegram

The Secretary of State to the Embassy in Italy [1]

SECRET PRIORITY WASHINGTON, August 29, 1951—6 p.m.

990. Dept has informed Ital Chargé US Govt associates itself with Brit offer to postpone Trieste elections for two mos providing Ital Govt give assurances it will attempt enter negots with Yugo Govt

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[1] Drafted by Byington and cleared with Reinhardt and Bonbright; repeated to London, Paris, and Trieste.

re solution Trieste question. We pointed out to Chargé we hoped Ital Govt wld consider this proposal in light recent statement by Marshal Tito to Amb Allen that Yugo Govt most anxious settle Trieste question which remained outstanding problem in Yugo Govts relations with West and that settlement wld materially strengthen front against Cominform aggression in which Europe and all free world were interested. [2] We pointed out if elections were held now they wld create an atmosphere not conducive to any negots between Italy and Yugo.

Ital Chargé stated his Govt's objection that postponement elections made conditional on Italy's taking initiative with Yugo. This constituted pressure on Italy with no equivalent pressure on Yugo. We pointed out that in view Tito's remarks it wld seem initiative by no means entirely Italy's and Tito's statement cld provide basis for an Ital approach. We emphasized Ital Govt shld view our proposal not as pressure on Italy alone but as an effort get negots started between Yugo and Italy. We wld be prepared urge Yugo in this matter to same degree we were urging Italy. Certainly an agreement between Yugo and Italy on Trieste wld be of great value in accomplishing revision Ital Peace Treaty to which we attached urgency.

In conclusion Dept stated in announcement postponing elections there wld be no reference to these conversations with Ital Govt and that negots between Italy and Yugo Govts wld be secret. US Govt furthermore did not envisage in any way endorsement of a particular position adopted by either Italy or Yugo as regards negots themselves.

ACHESON

[2] This is presumably a reference to the Tito–Allen conversation of August 10 at Brioni, summarized in telegram 182 from Trieste. (750G.0221/8–1151)

No. 111

750G.00/9–351: Telegram

Leonard Unger, United States Political Adviser to the Commander of the British-United States Zone of the Free Territory of Trieste (Winterton), to the Secretary of State [1]

SECRET TRIESTE, September 3, 1951—3 p.m.

269. Strongly support policy we should not involve ourselves in geographical details possible Trieste settlement (see my immediate-

[1] Repeated to Rome, Belgrade, London, and Paris.

ly preceding tel [2]) but recommend Dept consider whether US and/or UK Govts could not appreciably increase chances Itals and Yugos reaching such settlement by helping now, in advance of initiation negots, to define more closely their terms of reference. Believe recent official statements Yugo and Ital Govt leaders reveal attitudes and positions less favorable to settlement than some months ago and I fear that, even if brought together, any further progress may be nipped in bud by inflexible stand taken by one or both in opening exchanges.

First logical step is assure each party other desires negotiations, as suggested Deptel Rome 990 Aug 29, [3] but suggest this be followed by formulation, in consultation with each party separately, of brief terms reference upon which both would agree firmly to base negots. Terms might be those referred to para 4 mytel 174 Aug 9, [4] with or without ref to tripartite proposal, or ethnic principle as mentioned by Sec State (Deptel sent Belgrade 220 Aug 29) [5] and enlarged by Rome's tel 1039 Sept 1, [6] or some others. This would get Yugos and Itals over preliminary steps and bring them directly to geographic details; while these raise real differences would hope compromise possible in view small areas and populations involved.

Realize undesirability so involving ourselves in negots that we risk being saddled by both sides with blame for outcome, whatever it may be. Believe foregoing procedure substantially avoids this danger, however, and is worth risking considering unfortunate consequences of breakdown negots at outset and that Trieste in present unsettled state has even greater potential for involving US and Brit in trouble with Itals and Yugos. [7]

UNGER

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[2] Not printed.

[3] *Supra.*

[4] Document 103.

[5] Not printed, but see footnote 4, Document 109.

[6] Not printed, but see *ibid.*

[7] In telegram 255 to Trieste, September 7, the Department of State informed Unger that his recommendation was not approved because it would lead to an involvement in the substance of the contention which the Department wanted to avoid at that time. (750G.00/9–751)

No. 112

750G.00/9-551: Telegram

The Ambassador in Yugoslavia (Allen) to the Secretary of State [1]

SECRET PRIORITY BELGRADE, September 5, 1951—6 p.m.

295. Since neither Tito nor Kardelj available, I requested Beam in Belgrade to carry out step contemplated Dept's niact to Belgrade 35. [2] Beam went over with Asst FonMin Mates Secretary's statement to Yugo Amb (Deptel 220), [3] re-emphasizing as Dept's considered opinion that settlement Trieste problem should be based on such adjustments or exchanges as are necessary establish practicable frontier (last para Rome's 1039 to Dept, 35 to Belgrade). Obvious such full acct was not recd from Popovic, since Mates made extensive notes. Mates acceded to request on my behalf this info be communicated earliest to Marshal Tito.

Mates then furnished Beam long explanation Yugo present position. Yugo Govt agreed in principle revision Ital peace treaty necessary since present situation cld lead to obstructions and dangers for West. As repeatedly stated by Marshal Tito and by FonOff to various Amer officials, Yugo Govt willing enter into negots for Trieste settlement. It naturally understood there wld have to be give and take in negots which Yugo Govt wld not approach without flexible position.

Mates said he was officially defining this stand for info US Govt only. Without consulting higher auth he unfortunately cld not consent to its transmission to Ital Govt since latter might attribute to Yugo Govt an eagerness resume negots which Itals wld exploit to raise their demands. Not only had Yugo Govt informed US officials its willingness enter into bilateral negots re Trieste, but its past attempts proved this. Last spring negots had been begun between former Yugo Amb in Paris and Ital Amb to Vatican. Furthermore, Mates himself had engaged in convs to same end with Ital Min Belgrade. Unfortunately every time progress had been made, Ital Govt withdrew concessions. Mates said Yugo Govt sincerely desirous improving relations with Ital and he mentioned most confidentially Yugo Govt had decided send Velebit to replace present Yugo Amb Rome.

Mates said that while Yugo Govt willing any time resume negots re Trieste it was most discouraged and pessimistic about Ital polit

[1] Repeated to Rome, London, Trieste, and Paris.

[2] This is a reference to telegram 1039 from Rome, repeated to Belgrade as telegram 35, September 1, summarized in footnote 4, Document 109.

[3] Not printed, but see *ibid.*

atmosphere. De Gasperi Govt had let itself be drawn into competition with Commies. Togliatti during visit to Belgrade 1947 had proposed Trieste settlement to Yugo. Now Ital Commies acting naturally under Sov orders were playing extreme Ital nationalist line to prevent any settlement with Yugo. Yugo Govt felt DeGasperi shld clearly expose Communist duplicity instead of putting himself out in front of Ital Communist demands re Trieste. He said it impossible believe that even if Trieste settlement concluded on most favorable Ital terms Ital Communist Party wld cease trying stir up trouble between Italy and Yugo. Yugo Govt cld not ignore recent vicious statements De Gasperi's own paper *Il Popolo* [4] that Yugo had in effect attacked Italy during last war. Accordingly while Yugo Govt wished negot Trieste settlement it was pessimistic about prospects as long as present extremist line pursued by Ital Govt parties. Mates expressed appreciation Secys interest in Trieste and said Yugo Amb Wash or FonOff here wld always be prepared continue discussion further with US.

Beam referred again Secy's statement he intended talk equally frankly to Ital reps stressing our feeling settlement shld be achieved in larger West interest. He inquired whether US Govt cld not at least inform Itals it had reason believe Yugo Govt wld be amenable to resumption negots. Mates replied while conv had provided much material of interest, he cld not give consent without ref higher auth. He recalled Marshal Tito had recently made statement to press that Yugo might be ready engage in staff convs neighboring free countries in interest of all to repel aggression whereupon Grks had raised conditions under which they wld consider accepting Yugo mil cooperation. Mates again asked that frank discussion Tito held with me and with Harriman [5] re Trieste be kept for US Govt's info only.

Comment:

Above statements seemed clearly intended persuade us soften up Ital attitude. Yugo Govt feeling it has made contribution in convincing us it is willing discuss Trieste. Rightly or wrongly, they feel Ital Govt and press statements place them in strong moral position in light our urging both sides adopt reasonable attitude. However, Yugo Govt obviously impressed by honesty our dealings with them, particularly non-disclosure to Itals of Tito's various statements. If Dept can make some progress with Itals it is not impossible Yugos

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[4] *Il Popolo* is the newspaper of the Christian Democrat Party.

[5] For a summary of Harriman's conversation with Tito on August 25, see telegram 1058 from London, Document 954.

may consent give us some guarded words to communicate to Itals shld we formally request them either here or in Wash.

ALLEN

No. 113

750G.00/9-1251: Telegram

The Chargé in Yugoslavia (Beam) to the Secretary of State [1]

SECRET BELGRADE, September 12, 1951—5 p.m.

344. Embtel 335. [2] We hope that Tito's Navy Day speech September 10 concludes Yugo reactions to Yugo-Ital relations in general and Trieste in particular. Emb feels that Yugo note to Itals and Vlahovic's press commentary (Embtel 326), [3] paper given by Mates to me (Embtel 325) [4] and brochure re Anglo-American espionage (Embtel 333) [5] shld be considered as having a common purpose, i.e., an attempt however inept by Yugos to strengthen position before possible Trieste negots. As we see it from here each successive explanation of Yugos position re Trieste following Tito's to Ambassador has tended to narrow area within which Yugo is willing to bargain. Some of these maneuvers may undoubtedly be explained by desire FonOff officials who will be concerned with negots to estab initial bargaining position. On other hand because tripartite declaration on Trieste Yugos do regard us as partisan and in response our efforts have them estab willingness negot with Italy they naturally have taken advantage extreme position adopted certain quarters Ital Govt and press. FonOff has provided Emb excerpts most virulent Ital press articles and while this gratuitous offer may be resented as practice adopted totalitarian states, nevertheless it is easy to realize sharp reaction provoked here by an article such as that published in *Il Popolo* September 1.

FonOff aware we have been dealing separately with Itals just as we have done the same with Yugos without informing either Itals

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[1] Repeated to Rome, London, Paris, and Trieste.

[2] Telegram 335 summarized Tito's speech which was devoted principally to current Yugoslav-Italian relations. (768.11/9-1151)

[3] Telegram 326 summarized press statements in Yugoslavia that condemned "Fascist elements" in Italy for their anti-Yugoslav campaign. (665.68/9-1051)

[4] Telegram 325 transmitted the text of an informal summary of Yugoslavia's position which Mates gave Beam on September 8 outlining a more rigid stance than previously held. (750G.00/9-951)

[5] Telegram 333 informed the Department of State that Mates had given Beam a brochure allegedly documenting U.S. and British intelligence agencies in Trieste involvement in conducting hostile espionage campaigns against Yugoslavia. (750G.00/9-1051)

or Yugos of each others positions. On Yugo side this has been done at their request and they understand need of secrecy. Their suspicions however seem to be aroused by leaks from London concerning motives in postponement Trieste elections. One cannot escape feeling Yugos on defensive due to De Gasperi's visit with Western Fon-Mins and their sense being left out accounts in part their renewed stridency and toughening of their position re Trieste. Yugos undoubtedly get certain amount Commie ideological satisfaction out of their self-imposed policy of isolation, but as practical politicians they cannot ignore advantages accruing to Italy from De Gasperi's close association with US-UK-French. If any progress can be made with Itals in getting them enter negots in reasonable spirit, some kind communication to Yugo Govt wld doubtless be helpful after De Gasperi talks. Each day that Itals delay approaching Yugos will increase latter's suspicions.

As adjunct creation proper polit atmosphere we wld like suggest re-emphasizing to both sides military urgency of Yugo-Ital understanding. Tito gave us opening in Navy Day speech when he stressed free countries all in unsatisfactory world situation together and shld be careful avoid weakening common position by irresponsible unilateral actions. Parallel line perhaps be undertaken by leading military figure such as Gen Eisenhower along fol line. Appreciate one result may be increased demands for US arms but point cld be made re futility provision arms for common purpose against background continuing serious rift in necessary joint front. In this context, there may be point in negots where it will be necessary for us to try persuade Yugos increase concessions to Italy.

BEAM

No. 114

750G.00/9-1451: Telegram

Leonard Unger, United States Political Adviser to the Commander of the British-United States Zone of the Free Territory of Trieste (Winterton), to the Secretary of State [1]

SECRET TRIESTE, September 14, 1951—5 p.m.

308. Mytel 287 Sept 7. [2] In view statement General Winterton's communiqué that elections intended be held before end year, AMG

[1] Repeated to Rome, Belgrade, London, and Paris.

[2] This telegram quoted the text of the communiqué discussed in telegram 308. (750G.00/9-751)

must make definitive announcement on subject first week Oct, either scheduling elections for Dec or further postponing them.

If elections to be held before end 1951, December 9 and 16 are latest appropriate dates being last Sundays before holiday season. Law requires that at least 60 days before elections, i.e. first week Oct, dates must be officially announced. Such announcement wld be signal for recommencing campaign preparations which were abandoned following communiqué Sept 6. Once such announcement made General Winterton states elections must be held so that AMG's position not further weakened by another *volte-face*. Therefore urge Dept review promptly with FonOff whether elections are to be held December or will now be further postponed.

If hope still exists that Itals and Yugos will undertake negotiate for solution Trieste problem in foreseeable future believe it is nevertheless clear (Rome's tel 1112 to Dept, Sept 6 [3]) that nothing decisive will have occurred by early October when December elections or alternative course must be announced. Therefore if we continue find it worthwhile hold off elections to favor negots believe postponement now until next spring in order. Further consideration is belief many local observers that if elections held December winter weather and short daylight hour will keep voters from polls with results unfavorable to moderates; this might bring major embarrassment Ital cause here. Also Ital polit leaders now state any good will recently won for AMG with local pro-Itals by postponement wld be more than lost by scheduling elections for December.

Recognize however that Dept may be persuaded now or after discussions with De Gasperi that there is no hope stimulating negots at an early date by taking advantage whatever pressure exercised by imminence of elections. Thus Dept may wish get elections out of way promptly in hope of restoring calm so that months hence when Ital-Yugo relations may have taken more favorable turn negots might again be considered. Such conclusion from AMG viewpoint wld have advantages of restoring some lost prestige and confidence avoiding embarrassment of second postponement and helping AMG resist expected further Ital demands re linked lists, cassation etc.

Shld Dept and FonOff decide on further postponement General Winterton plans to let it be known first week October that upon further consideration he has decided that elections originally

[3] Telegram 1112 reported that De Gasperi strongly objected to placing a time limit on the postponement and to the undue pressure on his government. (750G.00/9-651)

scheduled October should now be held next spring at an exact date to be announced later.

UNGER

No. 115

750G.00/9-1751: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET ROME, September 17, 1951—8 p.m.

1253. Trieste's 308 to Dept Sept 14. [2] While Dept's position suggestion further postponement FTT elections must undoubtedly take into account results current and near future discussions with De Gasperi, Emb desires comment on reftel on basis present status situation as viewed from here.

Re question evaluation possible advantage "pressure exercised by imminence of election" in connection Ital position on negotiations with Yugos, Emb continues of opinion that attempts bring pressure on Itals in this way will not be helpful, but on contrary will heighten resistance of Itals to make concessions. Furthermore such tactics will create resentments which might eventually seriously affect our relations with Italy.

As observed by Trieste, scheduling of elections for December would most likely produce unfavorable reaction pro-Italian elements FTT; this would be strongly reflected in Ital Govt circles and public opinion here.

In our view, however, most important consideration bearing on question is whether holding of elections in December will be likely to further or to retard achievement our ultimate objective in FTT, i.e., a final settlement mutually acceptable to Itals and Yugos. In our view the holding of elections would not be conducive to the preparation of the atmosphere necessary for successful negotiations. The pre-election campaign itself will certainly incite the strongest nationalist feelings and will be used for all it is worth by those who desire to prevent a settlement. If, as is quite possible, the elections should result in defeat for moderate elements who would be able support a reasonable settlement, satisfactory compromise will be more difficult than ever to achieve. It would be hard to convince Ital Republic that announcement early in October so soon after the PM's visit to Washington of elections in December was not a blow to De Gasperi's attempt to keep things quiet in Tri-

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[1] Repeated to Trieste, London, Belgrade, and Paris.

[2] *Supra.*

este in order not to disturb any more than necessary the atmosphere nested all around the Trieste question if there is to be any hope for a settlement.

All things considered, it would seem there is much to be said in favor further indefinite postponement—and very little reason why elections should be held as presently scheduled in December.

DUNN

No. 116

750G.00/9-2251 Telegram

The Ambassador in Yugoslavia (Allen) to the Secretary of State [1]

SECRET PRIORITY BELGRADE, September 22, 1951—3 p.m.

378. In absence of Kardelj from Belgrade I made representation to Mates this morning in accordance with Deptel 307, September 20. [2] After reading appropriate paras of tel verbatim, I emphasized you wld wish be able to assure De Gasperi that you had in hand recent and positive statement that Yugo Govt was ready begin convs with Ital Govt for settlement of Trieste question.

Mates assured me categorically Yugo Govt was not only ready but anxious settle this problem and wld negot with Itals whenever they were ready, on basis of ethnic principle.

Mates asked specifically whether you wld suggest to De Gasperi that negots be undertaken on basis of tripartite declaration. I repeated that you intended to speak with De Gasperi in same vein as with Popovic, in which you referred to ethnic principle and did not mention tripartite declaration (Deptel 220, August 29). [3] Mates expressed personal opinion that if issue was not complicated by reiteration of declaration at this time he felt reasonably optimistic not only that direct Ital Yugo negots cld take place but also that solution might be found. He said that if Itals continue insist on negots based on tripartite declaration or to "wave declaration in our face" talks wld be useless.

I remarked that for first time since my arrival in Belgrade I now felt some optimism re possibility of settlement re Trieste and asked Mates whether he shared my optimism. He said that he too felt

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[1] Repeated to London, Paris, Rome, and Trieste.

[2] Telegram 307 instructed the Embassy in Belgrade to inform the Yugoslav Government that during talks with De Gasperi in Washington, Department of State officials would speak in the same vein as the Secretary of State had with Ambassador Popovic on August 28. (750G.00/9-1451) See the memorandum of conversation, Document 109.

[3] Not printed, but see footnote 4, Document 109

certain cautious optimism, due primarily to indication ethnic principle rather than tripartite declaration cld be made basis for negots. Moreover he thought general world situation made Trieste solution increasingly urgent for both Italy and Yugo.

Referring to statement in reftel re increasingly rigid Yugo position Mates said this was not correct. He said Yugo position remained as stated to me during past two months by Tito, Kardelj and Vilfan and by him to Beam. He said Yugo Govt wld do everything it cld not to exacerbate public atmosphere and hoped Ital Govt wld do same.

In response to my inquiry Mates said next step cld follow easily and almost automatically if you attain assurances from De Gasperi of Ital willingness to negot on basis ethnic principle. Mates said Yugo Govt hoped very much we cld convey such assurance to Yugo Govt fol De Gasperi talks.

Brit Amb and French Chargé made somewhat similar representations to Mates today, although their instrs were rather more general than mine.

Comment: While I have regretted our reiterations of tripartite declaration during past year, I am now aware that these reiterations may have served useful purpose provided no further reiteration is forthcoming at present moment. Yugos are so concerned lest we reiterate again they will go to considerable length to avoid it. Yugos are entirely willing negot on basis of reasonable application of ethnic principle. They are quite aware that literal application of this principle is not feasible and are willing to compromise.

ALLEN

No. 117

Editorial Note

Following his attendance at the Seventh Session of the North Atlantic Council in Ottawa, September 15–20, Alcide De Gasperi, Prime Minister of Italy, arrived in Washington on September 24 for 3 days of meetings with the President, the Secretary of State, and Department of State officials. One of the major subjects discussed was the question of Trieste which was the focus of the first meeting with the Secretary of State during the afternoon of September 24 and was also raised by De Gasperi during his talk with President Truman at noon on September 25. For the minutes of these meetings, see Documents 309 ff.

No. 118

765.68/10-551: Telegram

Leonard Unger, United States Political Adviser to the Commander of the British-United States Zone of the Free Territory of Trieste (Winterton), to the Secretary of State [1]

SECRET TRIESTE, October 5, 1951—noon.

369. Coming months may see Italo-Yugo negots leading to settlement Trieste question and with it end of AMG's admin here. However, if such negots are not undertaken or are unsuccessful and it becomes clear that *status quo* Trieste may be expected continue into indefinite future I recommend that basic reorg govt this zone be considered. Present type admin inevitably arouses Ital antipathies despite best endeavors and if AMG cannot be brought to end by Ital-Yugo settlement I believe it shld give way to new regime more in keeping spirit Mar 20 proposal and present Ital internatl position.

Issues De Gasperi raised with Secretary (Deptel 350, Oct 1) [2] appear to be same which have troubled AMG-Ital relations for at least one year and on which Dept fully informed. Review of these will shortly be pouched. AMG under Winterton and Airey has sincerely tried find compromise in each case which wld satisfy Ital sensibilities but also meet AMG's responsibilities as govt this zone, as auth responsible for inhabitants wellbeing and in a sense, as local rep of Amer and Brit Govts. Recognize that Itals with sincere patriotic feeling about Trieste and expectations based on Mar 20 proposal are becoming daily more anxious about territory's future especially in view our and particularly Brit changed relations with Yugo. As result they are hypersensitive to AMG actions and have increased their efforts tie this zone ever more closely to Italy. AMG has come in conflict with Itals in instances where because of its other responsibilities it has felt impelled resist these efforts (there are also instances where it has acquiesced) but I wld emphasize that AMG has taken no action further to separate zone from Italy. Many issues of which Itals complain are those of which present state of affairs was established several years ago or more and accepted by Itals without question until recently.

Dept will also recognize that in situation which has grown up irresponsible politicians and journalists anxious to improve their position through exploitation nationalist passions have thrived on promotion these issues and in fact often created them where they

[1] Repeated to Rome, Belgrade, London, Paris, and Moscow.
[2] Not printed.

might well not otherwise have existed. Ital mission here has also contributed to misunderstanding by slanted reporting etc. although in recent weeks appears sincerely interested in keeping situation quiet.

In advising zone commander I shall continue as in past to guide AMG away from actions offensive to Itals as far as it is feasible for AMG avoid such actions but my conviction is that very existence AMG is antipathetic to Itals. Some more months of present admin until bilateral settlement can be reached and implemented can certainly be managed but if settlement not forthcoming I wld recommend Dept seriously consider putting govt this zone on entirely fresh basis in interest of friendly Italo-Amer relations.

One way in broad outline might be to move Allied mil command into background and strip it of direct responsibility for civil govt including multitude of social, econ and admin affairs which might well be in local hands. At same time zone pres might be recognized as prefect and put essentially in charge where he wld in fact be subject to Ital Govt instrs in most matters with Allied mil command exercising only limited veto power on such matters as security. Foreign relations already in Ital hands in many respects cld be handed over in large measure with possible exception certain relations with zone B and Yugos. Aust arrangements may offer pattern which cld be adapted to situation here. Zone's laws and instructions including judicial procedures to extent not now in accord Ital pattern cld be studied by mixed commission and gradually brought into line. Such reorg wld probably meet opposition from number of sources: (1) Sovs might use peace treaty or zone's dependence on Security Council as basis for protest over virtual reincorporation Italy (2) Yugos might feel called on protest *pro forma* but believe in fact they wld not oppose move actively and might secretly welcome it, mistakenly interpreting it as step toward acceptance partition of terr on present interzonal line (3) certain elements local population such as Slovenes who still cling to free terr idea wld protest being placed again under Ital rule and many business elements wld secretly regret termination present status satisfactory to their interests.

If rearrangement as basic as that outlined above not considered feasible recommend Dept and FonOff nonetheless consider sending zone commander new instrs in event settlement does not materialize. These wld recognize more frankly that zone eventually to be returned to Italy and wld provide that Itals be taken more into councils locally and AMG be more prepared respond Ital wishes, wld at same time relieve commander of certain considerations he now feels he cannot ignore with regard to peace treaty provisions, protection minority rights this zone, reactions Yugo Govt and zone

B auths and respect for certain principles and procedures which are part of government and tradition of US and UK. Otherwise believe zone commander will not feel able make basic alteration in AMG's policies or conduct and I fear AMG will continue as sore point in relations between Italy and US and UK.

Foregoing ideas my own not discussed with US mil or Brit here. [3]

UNGER

[3] In telegram 453 from Belgrade, October 10, Ambassador Allen informed the Department of State that he concurred with Unger's recommendations and noted that despite their protests the Yugoslavs regarded Italianization of Zone A as tending to solidify the present division of the territory which they had long favored. (750G.00/10-1051)

No. 119

750G.00/10-651

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington)

SECRET [WASHINGTON,] October 6, 1951.

Subject: Trieste—Postponement of Elections

Participants: Mr. I. F. Porter, First Secretary, British Embassy
Mr. Homer M. Byington, Jr.—WE

Mr. Porter called to inform me that the Foreign Office had now agreed that the elections in Trieste would be postponed until next spring and that the announcement to that effect would be made by General Winterton in as inconspicuous a manner as possible, without setting any precise date.

Mr. Porter also said that the Foreign Office was in agreement with us with regard to the nature of the representations that would be made by the United States and British Ambassadors in Belgrade. He said that the Foreign Office was, however, slightly concerned over our unwillingness to associate ourselves with them in the representations that were to be made by the British Ambassador in Rome. He said that his Government understood our reason that we considered we had covered the ground with the Italian Prime Minister here in Washington in his conversations with the President and the Secretary and that an additional approach at this time in Rome would be in the nature of an anti-climax. The Foreign Office urged nevertheless that if the occasion should arise, we support their representation in Rome. I said that we would instruct our Chargé in Rome not to take any initiative, but that if

the matter were raised with him by the Italian Government, he should associate himself with the British approach. I also mentioned to Mr. Porter the importance we felt in the timing of the British approach in the sense that it should not be done too quickly before the Prime Minister has had a chance to discuss his visit here with his political leaders. We felt, therefore, that it would be most important to leave the timing to the discretion of the Ambassador in Rome who would be in the best position to know what would be the most appropriate moment. [1]

Mr. Porter concluded by saying that the Foreign Office also agreed with us that the French should be invited to support us in this matter and that the Foreign Office was taking this up directly with Paris.

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[1] Instructions to this effect were sent to Rome in telegram 1579, October 6. (750G.00/10–651)

No. 120

865.00–R/10–1051: Telegram

The Chief of the ECA Mission in Italy (Dayton) to the Acting Administrator for Economic Cooperation (Bissell) [1]

CONFIDENTIAL ROME, October 10, 1951—9 p.m.

Toeca 1105. This is joint Emb–ECA message. Re Ecato 1140, rptd Torep 7504 [2] and Bissell letter October 4. [3]

1. In view changed emphasis US program in Europe, agree time is appropriate to consider resolving administration ECA Trieste. Also agree assume responsibilities as per your para 3. Believe amount, source and other details aid to Trieste are problems which can be better resolved after administration future clarified.

2. We have no judgment on political complications closer Trieste tie to Rome but are satisfied such a change will please Itals.

3. Altho we have highest regard for Unger and for his ability, question advisability making two-hat appointment while one of functions remains political. The key man in Trieste in terms of re-

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[1] Repeated to Paris.

[2] In an attempt to resolve the question concerning the future administration of the ECA Mission in Trieste, telegram Ecato 1140 recommended that Galloway, the Chief of the ECA Mission in Trieste, be permitted to resign and that Dayton, Chief of the ECA Mission in Rome, assume his position in addition to his present assignment. It also suggested that Unger be appointed Deputy Chief of the ECA Mission in Trieste in addition to his function as U.S. Political Adviser. (ECA message files, FRC 53A278, Trieste)

[3] Not found in Department of State files.

lationships with AMG and in terms of reconciling econ differences between Italy and Trieste is the econ adviser to AMG. Therefore we feel the most desirable appointment for Deputy wld be Haraldson. Unger's abilities and the value his judgment wld still be available both to Army and to ECA without making him Deputy. As Deputy he wld need assistance in development of an econ program which wld then have to be reconciled with the program developed by the econ adviser of AMG. If on other hand the key ECA man is also key econ man, a situation is created in which an effective two-hat appointment can be made. If Haraldson unacceptable, we wld suggest selection another person mutually agreeable between ECA, State and Army. However from personal contact with Haraldson, believe he could handle job effectively. Also suggest that before final decision taken with respect Unger, you determine whether there is possibility his being transferred near future. After question appointment Deputy reconciled, believe provision necessary supporting personnel can be made quickly.

4. Appreciate reasoning which went into Galloway's suggestion that CO's office shld remain Trieste. From our personal knowledge of situation there, I would prefer having no part Trieste operation, unless personnel in Controller's office transferred. We believe responsibilities of CO can be handled by Chief Controller Division Rome by establishment of an office in Trieste similar to that we now maintain Milan. The CO's representative in Trieste could also function in area adjacent Trieste in regions of Veneto and parts Emelia Tridentina. We wld be agreeable to transfer of present Trieste Controller to Rome to augment the CO's staff but not to work in Trieste. [4]

DAYTON

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[4] Dayton's recommendation concerning Haraldson's appointment as Deputy Chief of the ECA Mission in Trieste was approved according to telegram Ecato 1241 to Rome, October 26. (ECA message files, FRC 53A278, Rome) In December 1951, the ECA Missions in Trieste and Rome were merged in order to meet the requirements of the Mutual Security Act and, as outlined in telegram Ecato 1430 to Rome, December 5, a single staff with headquarters in Rome was eventually created. (ECA message files, FRC 53A278, Rome)

No. 121

750G.00/10-1551: Telegram

The Secretary of State to the Embassies in Italy and Yugoslavia [1]

SECRET WASHINGTON, October 15, 1951—6:20 p.m.

For Rome: Re Belgrade's 483 Oct 12 rptd Rome 70 [2] you shld inform Ital Govt YuGov willing negot to achieve ethnic settlement Trieste ques in full realization of necessity each govt begin with flexible position and of utmost desirability successful conclusion talks once initiated. You shld urge Ital Govt take first step and secretly approach YuGov on this basis (Deptel 371 Oct 9 to Belgrade rptd Rome 1620). [3]

For Belgrade: Upon receipt tel from Rome reporting above action taken, you shld inform YuGov of details Emb Rome's approach.

For Rome and Belgrade: Dept considers it important this effort shld continue be tripartite with Brit and Fr. You shld therefore concert with ur Brit and Fr colleagues.

For London and Paris: Dept informing Brit and Fr Embs of foregoing with request that if respective FonOffs agree will appropriately instruct their Reps Rome and Belgrade [4] (London tel 1795 Oct 12 rptd Rome 108, Belgrade 53, Paris 693 [5]). You shld appropriately support this request with FonOff. [6]

ACHESON

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[1] Drafted by Greene and cleared with Williamson, Byington, and EE; also sent to Rome and Belgrade and repeated to London, Paris, and Trieste.

[2] This telegram reported Allen's conversation with Mates during which Mates stated that the Yugoslav Government was ready to begin conversations whenever the Italian Government indicated it was ready. Mates also stressed that secrecy was important since disclosure would probably mean failure. (750G.00/10-1251)

[3] Telegram 371 stated that the Department of State was willing to urge the Italians to take the first step and make a secret approach to the Yugoslav Government if the Yugoslavs were willing to compromise on an ethnic settlement. (750G.00/10-851)

[4] The British and French Embassies were informed of these actions on October 16. (Memorandum of conversation, October 16, 750G.00/10-1651)

[5] Telegram 1795 informed the Department of State that the British strongly desired U.S. support when they approached the Italian Foreign Ministry in order to encourage the Italians to begin talks with the Yugoslavs on Trieste. (750G.00/10-1251)

[6] In telegram 1878 from London, October 17, the Embassy informed the Department of State that the Foreign Office reacted favorably to the actions outlined in this telegram. (750G.00/10-1751) A representative of the French Foreign Ministry, on the other hand, expressed reluctance to join in the tripartite *demarche* and the Department of State was so informed in telegram 2256 from Paris, October 17. (750G.00/10-1751)

No. 122

665.68/11-1551: Telegram

The Ambassador in Italy (Dunn) to the Acting Secretary of State [1]

SECRET ROME, November 15, 1951—10 p.m.

2167. Although for some time up to perhaps a year ago high officials of the Ital Govt indicated to me that one of the reasons for not pressing forward on a settlement of the Trieste question was the advantage of having US and Brit troops in Trieste, no official of the govt has recently mentioned to me anything about the matter of our troops remaining in Trieste in the event of a settlement (Deptel 2178, Nov 13). [2] In a purely informal conversation one of the junior officials of the FonOff mentioned that any disadvantage of settlement might be overcome through retention of some troops under another Leghorn arrangement. [3]

Any settlement acceptable Yugos will at best be difficult for Ital Govt to have accepted by public opinion here and they will need all the psychological support possible in presenting it to the public. There is no doubt that an announcement that Ital troops wld immed enter into the Trieste territory wld be extremely helpful in offsetting the resentment felt at any definitive loss of territory to Yugoslavia. This derives from the emotions aroused after the first World War by the entry into Trieste of the famous Bersiglieri regiments and wld help to point up the definitive gain by restoration to Ital of sovereignty over Trieste rather than territorial loss.

If for reasons of broad defense strategy we or the Brit desire to have troops in Trieste after the settlement and after the formal transfer of auth to Italy this question wld be worked out in advance with the Itals and also possibly with the Yugoslavs. The actual steps for turnover of auth and withdrawal of US and Brit troops as soon as possible after the settlement shld be the subj of agreement at least with the Ital Govt.

It might be advisable to ask the Ital Govt now whether they desire the removal of our troops at the earliest possible moment

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[1] Repeated to Paris, Belgrade, London, and Trieste. The Secretary of State was in Paris for the Sixth Regular Session of the U.N. General Assembly.

[2] Telegram 2178 requested that the Embassy in Rome comment on whether or not the Italians should be given assurances that the U.S. and British troops in Trieste would be withdrawn at the conclusion of an agreement between Italy and Yugoslavia. The British Foreign Office and the British Chiefs of Staff considered such assurances would be politically desirable as a means of increasing De Gasperi's readiness to begin negotiations. (665.68/11-1351)

[3] In telegram 649 from Belgrade, November 17, the Embassy informed the Department of State that the Yugoslav Government might secretly prefer U.S.-U.K. troops to remain in Trieste but could hardly take this position openly. (750G.00/11-1651)

and also whether they desire to have them return on some other agreed basis shortly after the taking over by Italy of auth in Trieste. In view of the difficulties the Ital Govt will face in putting forward here any settlement I believe we shld make every effort to cooperate fully with them in a matter of this kind not only for strategic but also for psychological reasons. In any event together with the Brit we shld be agreed upon a comprehensive plan which wld provide for the successive steps in turning over of auth to the Itals and which wld include provision for future econ assistance, control of the police and all of the principal attributes of govt now being exercised by AMG.

Another element which wld be extremely helpful to the Prime Min here in having any settlement accepted by the public wld be an announced plan of the continuation at least for a period of the econ assistance now being granted to Trieste under the Mutual Security Act or whatever source may be available.

DUNN

No. 123

Editorial Note

On November 17, Andrei Gromyko, Soviet Deputy Foreign Minister, handed a diplomatic note to Hugh S. Cumming, Jr., United States Chargé in Moscow, which criticized the United States, the United Kingdom, and France for numerous violations of the Italian Peace Treaty in their dealings with Trieste. It specifically cited their failure to appoint a governor of Trieste and their utilization of Trieste as a NATO military base. Two days later, the United States Government issued a press statement refuting these charges. For the text of the Soviet note and the subsequent United States response, see Department of State *Bulletin*, December 3, 1951, pages 911–913. In contrast to British attempts during December to draft a formal response to the Soviet note, the Department of State opposed the idea of a formal reply because it might adversely affect the negotiations underway between Italy and Yugoslavia concerning Trieste. (Telegram 3102 to London, December 29, 750G.00/12–2151)

No. 124

740.00/11-2351

Memorandum of Conversation, by Leonard Unger, United States Political Adviser to the Commander of the British-United States Zone of the Free Territory of Trieste (Winterton) [1]

TOP SECRET [NAPLES,] November 20, 1951.

Participants: Admiral Robert B. Carney
Mr. Leonard Unger

At the Headquarters of Allied Forces in Southern Europe, November 8, 1951

Subject: Trieste

At the beginning of our discussion Admiral Carney commented on the responsibility of the military forces in the Trieste area. He realized that their first mission must be the evacuation of Allied dependents, but he did not accept that the forces themselves should evacuate the Free Territory after accomplishing this mission. He said that he was strongly impressed by General Sebree's description of the strategic possibilities in the Slovenian region, between the Alps and the head of the Adriatic. For the defense of Western Europe on its southern flank he regarded the region of the Ljubljana gap as a priority area—if it could be held by Allied soldiers, in cooperation with the Yugoslavs, the prospects for defending northern Italy would be immeasurably improved. He appeared to be well aware of the political difficulties in the way of Italo-Yugoslav military cooperation in that area. Admiral Carney added that he had already put his staff to work to study this question in more detail.

With the foregoing considerations in mind Admiral Carney feels that contact must be made between his command and the Yugoslav military so that joint plans may be worked out to assure that the critical area in Slovenia will not be abandoned by the Yugoslav army in the event of invasion from the East. So far he has been unable to make such contact because of his instructions from the SHAPE Command. He appeared to feel that the British were principally responsible for obstructing such an approach at this time, but he said that he was continuing to urge General Eisenhower to change his instructions on this matter. The Admiral said that if hostilities were to break out at the present time and he had not managed to establish contact with the Yugoslavs in order to take

[1] Transmitted as an enclosure to a letter from Unger to Byington, Director of the Office of Western European Affairs, November 23. The second enclosure, a memorandum of conversation between Unger and Maj. Gen. Edmund B. Sebree, dated October 31, is not printed.

advantage of the strategic possibilities of the Ljubljana gap, he felt he would be open to the severest censure and charges of neglect of duty.

In discussing the relationship of Trieste to the NATO Command Admiral Carney appeared to be fully aware of the fact that, for the time being, any relationship must be on a covert basis. He mentioned his desire to visit Trieste, although he recognized that in some quarters this was considered undesirable because of his position as NATO Commander, and he wondered whether he might not go there quite inconspicuously, e.g. on a personal visit to General Sebree. As CINCNELM he could go there, just as US Admirals under his Command regularly visit Trieste. The possible political consequences of his visiting, even as an NATO Commander, have been over-emphasized in his opinion. He asked for my views on this matter and I stressed the fact that at the present time and in the coming months we were intent above all on bringing the Italian and Yugoslav Governments together to reach a bilateral settlement of the Trieste question. For this reason we were especially anxious to avoid anything which might stir up debate or agitation and thus impede such a settlement. I agreed that his coming to Trieste logically had no direct connection with an Italo-Yugoslav bilateral settlement, but he appeared to accept my point that logic plays little part in the Trieste situation and to agree that he would not come to Trieste as long as the present situation prevailed.

We then discussed the possibilities of a Trieste settlement, and I outlined to him the situation so far as I knew it as of that moment. There also arose the question of whether Allied troops should remain in Trieste if there should be a settlement. Admiral Carney expressed no views pro or con on this matter although his earlier statements about the great military importance of the area between the Alps and the head of the Adriatic would appear to imply that he would wish to see American troops somewhere in the region so that, in the event of an emergency, they could move into the strategic areas in Slovenia.

Finally, Admiral Carney said that he felt the need of someone in the capacity of a political adviser who would work with his planning officer, Brig. General Stokes. [2] He said that in the course of mapping out plans for the Southern Command information and advice in the political field were continually required and he felt that it would be of great value if some Foreign Service Officer, not of the top echelon, were to be assigned to work with Stokes and assist him in this way. The Admiral said that he had raised this

[2] Brig. Gen. John H. Stokes, Assistant Chief of Staff for Plans and Operations, Allied Forces, Southern Europe.

question already with Undersecretary of State Webb and in other quarters as well. Although he did not ask me for a reply, the Admiral seemed to be sounding me out as to my interest in such a job. I did raise with him one difficulty I saw in such a position, namely that in his international capacity it would be difficult for him to have only an American political adviser. He recognized this but replied in the first place that the exact functions of such an individual would not be too openly identified and that, in any case, he could be attached to the Admiral in his capacity as CINCNELM rather than as a NATO Commander.

After our conversation, Admiral Carney asked me to stay for lunch where he also had as a guest Italian Major General Gandin. In introducing me to the General he did not identify my position.

LEONARD UNGER

No. 125

750G.00/11-2851: Telegram

The Ambassador in Yugoslavia (Allen) to the Acting Secretary of State [1]

TOP SECRET BELGRADE, November 28, 1951—2 p.m.

711. During presentation of Congressmen Zablocki, Kelly and Merrow to Tito last night, [2] I took occasion to state that you had just suggested that I impress again on Yugo Govt importance we attach to early settlement of Trieste question. I pointed out that solution of only outstanding territorial problem between Yugo and West wld be most favorable auspices under which our military assistance program cld be launched.

Tito replied, with some asperity, that Yugo position on subject was well known. He referred to his conversation with me at Brioni last Aug [3] and said Yugo views had not been put forward for bargaining purposes but as definitive proposal. He felt Yugo Govt had demonstrated its willingness to go very far toward accord but had unfortunately met no similar willingness on part of Italy.

While Tito was obviously somewhat miffed at my reference to US milit assistance, I do not consider reference inappropriate. At same

[1] Repeated to London, Paris, and Rome for the Secretary of State. Secretary Acheson was in Rome for the Eighth Session of the North Atlantic Council, November 24–28.

[2] For a summary of other topics discussed by the Congressmen and Tito on November 27, see telegram 719 from Belgrade, Document 940.

[3] This conversation was summarized in telegram 182 from Trieste. (750G.00/8-1051)

time, I doubt very much that Yugos can be brought to offer much more than Capodistria. Only slightest possibility I see for accord at this time wld be firm offer by Italians to settle for narrow strip in Zone B embracing Capodistria, Isola and Pirano, in exchange for some rectification in Zone A. I am by no means certain Tito cld be persuaded to go beyond Capodistria, but if firm Ital commitment can be obtained, I wld be willing, if Dept so desires, to do my best to try to sell it to Tito. While I wld regret for US to be drawn into substantive discussion, foregoing is only constructive suggestion I can offer at the moment.

ALLEN

No. 126

750G.0221/11-2351

The Acting Secretary of State to the Secretary of Defense (Lovett) [1]

SECRET WASHINGTON, December 13, 1951.

MY DEAR MR. SECRETARY: I refer to Acting Secretary Foster's letter dated November 23, 1951, forwarding to the Department an exchange of correspondence between the United States Joint Chiefs of Staff and the British Chiefs of Staff regarding the future of British and United States troops in Trieste, should possible forthcoming Italo-Yugoslav talks arrive at a political settlement of the Trieste question. [2] I note that the United States Joint Chiefs of Staff perceive no overriding military objection to the removal of these troops from the Free Territory of Trieste under international agreement, provided there remains no political objection to their removal.

The British Embassy has requested on behalf of the Foreign Office our views on a proposal that the United States and British Governments assure the Italian Government that upon settlement of the question of Trieste, allied troops would be withdrawn from the Trieste area. The British Embassy states that the British

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[1] Drafted by Greene and cleared with Williamson, Bonbright, EE, and S/P.

[2] Attached to Foster's covering letter was a memorandum to the U.S. Joint Chiefs of Staff from the British Joint Services Mission in Washington in which it was stated that the British Chiefs of Staff "look upon the stationing of the British Force in Trieste as a most unsatisfactory military commitment. This commitment entails, for political reasons, the stationing of British troops in peace in a theatre which on the outbreak of war is not a British responsibility. . . . The British Chiefs of Staff consider, therefore, that the Allied Forces in Trieste should be fully withdrawn as soon as the political situation allows." The response from the U.S. Joint Chiefs of Staff, also attached to Foster's letter, noted their agreement with the British position. (750G.0221/11-2351)

Chiefs of Staff have informed the Foreign Office that they have always understood that the troops would be withdrawn when the future of Trieste is agreed and that they have sought the views of the United States Joint Chiefs of Staff.

The Embassy states further that the British Foreign Office considers that it would be politically desirable to give the Italian Government the assurance suggested. It is the Department's policy to facilitate insofar as possible negotiations between Italy and Yugoslavia for an agreement settling the Trieste question, without entering into the negotiations. Assurances of the nature suggested by the British Government may facilitate and in any event would not impede Italo-Yugoslav negotiations.

Accordingly, the Department of State considers that:

1) the United States Government should concur in the British proposal that joint assurances be given the Italian Government that Allied troops will be withdrawn from Trieste in the event of an Italo-Yugoslav settlement of the Trieste question; and

2) in giving these assurances, the United States and British Governments should indicate that they will be guided by the views of the Italian Government on whether they should be made public.

I should appreciate it if you will indicate whether the Department of Defense and the Joint Chiefs of Staff concur. [3]

Sincerely yours,

For the Acting Secretary of State:
H. FREEMAN MATTHEWS
Deputy Under Secretary

[3] In a letter dated January 18, 1952, Deputy Secretary of Defense Foster replied that he and the JCS concurred in the Department of State recommendations. (Department of Defense files)

No. 127

750G.00/12-2751

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Perkins) [1]

TOP SECRET [WASHINGTON,] December 27, 1951.

Subject: Trieste

Participants: The Italian Ambassador
Mr. Perkins
Mr. Byington

[1] Drafted by Byington.

The Italian Ambassador [2] referred to his conversation with the Secretary of State and with me on December 21 [3] in which he had given the impression that the Italo-Yugo conversations on Trieste were progressing favorably. [4] He said that his remarks on that occasion had been based on Ambassador Guidotti's reports up to that time. He had now received a further report which indicated that a following meeting between Guidotti and Bebler had proved most discouraging. He wished to inform me about this development in order that we should no longer remain under any impression that things were going satisfactorily. He said that previously Bebler had listened without objection to Guidotti's statement of the Italian views on an ethnic solution. Now, however, Bebler had come forward with a Yugoslav proposal that an ethnic solution would have to be based on the Austrian census of 1910 for Zone A and that for Zone B the determination should be based on a Yugoslav statistical report for 1945–1946. On this basis, Yugoslavia would concede no territory to Italy from Zone B, while on the other hand it would leave Italy in Zone A only the city of Trieste plus a rail and road communication. The Yugoslav proposal would even take away from Italy the town of Muggia and its commune, as well as the suburbs of Trieste to the east and all the hinterland in Zone A to the west of Trieste.

In reply to my question whether there was not another meeting that was to have taken place after this one, Ambassador Tarchiani replied in the affirmative and said that Bebler had asked Guidotti to propose an Italian line. Guidotti was to have given him such a line at a forthcoming meeting on December 19th which would have been the last one before Christmas. The Italian proposal was that which the Prime Minister had indicated to us during his visit in Washington, namely, Yugoslavia would have a portion of the hinterland in Zone B, not including Buie, together with the Slav area in Zone A, consisting of the towns of Sgonico and Monrupino. He said that the Italian proposal which could be taken as a basis for negotiation represented a willingness to make concession whereas the Yugoslavs were unwilling to make any concession at all. The Italian Government could not help but conclude therefore that the

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[2] Alberto Tarchiani.

[3] A memorandum of this conversation is in file 750G.00/12-2151.

[4] During the Sixth Session of the U.N. General Assembly which convened at Paris November 6, Yugoslav Deputy Foreign Minister Aleš Bebler and Italian Ambassador to the United Nations Gastone Guidotti held several meetings in December to discuss a settlement of the Trieste question. According to Yugoslav Ambassador Popović's analysis, which he gave to Perkins during a meeting on December 21, the Bebler–Guidotti talks were not making progress because of the intransigent attitude of the Italians. (Memorandum of conversation, 750G.00/12-2151)

Yugoslav Government had no real desire to reach a compromise settlement based on the ethnic principle.

The Ambassador then expressed the opinion that it seemed unlikely anything could be accomplished unless the United States were willing to use its influence in persuading the Yugoslavs of the need for adopting a reasonable attitude. I replied that it seemed best at the present time to await the report of the subsequent meeting on December 19. The Ambassador said he would let me know the results of that meeting as soon as he had received the report. He pointed out that if the Austrian census of 1910 were adopted as a test for the entire free territory, the Italian Government would be making a major concession since subsequent Italian Censuses were certainly more favorable to Italy. He indicated that he thought the Italian Government might be willing to adopt such a basis, but it could never agree to the ridiculous suggestion of an ethnic solution based on a Yugoslav statistical finding for Zone B which even the Yugoslavs do not describe as a census.

GEORGE W. PERKINS

BELGIUM

CONCERN OF THE UNITED STATES OVER THE LEVEL OF BELGIUM'S FINANCIAL SUPPORT OF THE NATO DEFENSE EFFORT; THE DIMINISHING NEED IN BELGIUM FOR ECONOMIC ASSISTANCE [1]

No. 128

Editorial Note

On April 8, Prime Minister Pholien arrived in Washington for a scheduled meeting with Dean Acheson on the following day. In the period since his arrival in New York with his wife on March 27, he had visited the United Nations and dined with Ambassador Austin, seen West Point, toured industrial plants in Pittsburgh and Detroit, and viewed the installations and training facilities at Wright-Patterson Air Force Base in Ohio, Connelly Air Force Base in Texas where Belgian cadets were training, and Fort Benning Army installation in Georgia.

The Prime Minister's proposed visit to the United States was first mentioned, and favorably presented, in telegram 1400 from Brussels, February 28. Telegram 1435 from Brussels, March 6, added that it would be well if Pholien could "visit industrial center Middle West where he could obtain inspiration from size of our defense effort." These telegrams and other documents related to Departments of State and Defense scheduling of this trip are in file 755.13.

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[1] For further documentation on Belgian interest in efforts toward the economic and political integration of Western Europe, see pp. 1 ff. For additional documentation on Belgian participation in NATO, see vol. III, Part 1, pp. 1 ff. and 1309 ff. For documentation on U.S. cooperation with Belgium in the field of atomic energy and on Belgian restrictions on dollar imports within the framework of the General Agreement on Tariffs and Trade (GATT), see vol. I, pp. 685 ff. and 1245 ff.

No. 129

755.13/4-951

Memorandum of Conversation, by the Secretary of State [1]

SECRET [WASHINGTON,] April 9, 1951.

Participants: The Honorable Joseph Pholien, Prime Minister of Belgium
Baron Silvercruys, Ambassador of Belgium
The Secretary of State
Mr. Robert Murphy, Ambassador to Belgium
Mr. George Perkins, Assistant Secretary of State
Mr. Robert Winfree—WE

The Prime Minister began our meeting stating that he had just had a very interesting conversation with General Marshall who had told him that Europeans should not be worried about the Congressional resolution limiting American troop participation in Europe to four divisions. [2] I expressed my agreement with General Marshall, saying that Congress had not passed a law on this but simply a resolution. I said that Congressional feelings on the sending of additional troops to Europe would depend greatly on the progress made by the Europeans themselves in their rearmament and, of course, on the world situation. In general, while it was correct that Europeans should not be preoccupied by this Congressional action, they themselves must make a very strong effort to rearm. Mr. Pholien then asked me if he could repeat General Marshall's statement to European correspondents who would question him on his return. I said that I thought it would be best not to repeat what General Marshall had told him since it might well create difficulties for General Marshall.

Ambassador Silvercruys interjected that more American troops would be sent to Europe if necessary but that a determining factor would be Europe's own effort. With this I agreed.

The Belgian Prime Minister then said that his country would be faithful to all of its NATO and Brussels Pact engagements. He asked, however, if it would be possible for us to consult with the other NATO nations before taking really decisive steps such as crossing the 38th parallel or dropping the atom bomb. I replied that he had raised very delicate questions which most certainly

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[1] Drafted by R.M. Winfree of WE.

[2] The reference is to Senate Resolution 99 in support of the President's authority to send American troops to Europe. For documentation on the debate of this subject in early 1951, see vol. III, Part 1, pp. 1 ff. The text of Senate Resolution 99 is printed in Department of State *Bulletin*, April 16, 1951, p. 637.

should not be discussed at any time with the press. While we desired to consult with our NATO partners on any moves which we might make, if the security of the United States was threatened, the President might have to act promptly without consultation. The Prime Minister replied that the decisions of the United States Government would have a direct influence on the world situation. If the decisions we were called upon to make would decide whether or not there would be war or peace, would we consult with the NATO nations? I said that it was very hard to reply to this question. We might have to make immediate decisions. I pointed out that in the last two wars when Germany had attacked we came into the conflict sometime later, after we had had time to build up our defense production. If war came again, it was likely (possible) that an aggressor would not take the same course and would try to destroy our productive power first. If such were the case, we must act immediately.

I asked the Prime Minister to recall what we had been doing in Korea; that we had made no unilateral decisions but had kept all interested powers fully informed and had discussed every proposed step before we took it. We had actually had restrictions placed upon us by the United Nations. As the Prime Minister knew, we had thought it would be wise to have the President make a public statement regarding our intentions in China, emphasizing that we sought only peace and had no desires of conquest. This statement had been cleared with the interested powers, but, unfortunately, General MacArthur had issued a statement which served only to confuse the situation. [3]

I then spoke about Germany emphasizing that although we thought Western Germany should be brought into the European community, we had consulted with our NATO partners on every German issue and had actually turned over the leadership on German questions to other European nations. We had no desire to take any step involving Germany without the full understanding and agreement of other European nations.

I added that the same was true of Japan. At the moment there was no predominant power in the Pacific, but there could be no doubt but that Japan could be such a power. We must have the Japanese on the side of the West. In the Far Eastern Commission we were presently discussing a peace treaty with Japan. We desired always to consult with all our allies before taking any steps.

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[3] For documentation on the proposed Presidential statement on U.S. aims in Korea, circulated in draft form among the nations providing forces in Korea, and the subsequent statement by MacArthur of March 24, see vol. VII, Part 1, pp. 252 ff.

Prime Minister Pholien then inquired if we felt the same way about Tito. I replied that the Tito situation was a little more difficult since we did not know exactly what Tito wanted; however, it did appear now that he wanted to talk with us.

Mr. Pholien then stated that he was going to Bonn on Sunday and might possibly see Adenauer. He asked if he should endeavor to orient Adenauer re European thinking on Western Germany. He added that the German problem was very complex and complicated and that the Belgian Government's attitude on Germany had not yet crystallized. He also stated that he had heard from a Swiss merchant who had been in Poland that while Poland hates Russia, she hates Germany more. I told the Prime Minister that as far as I knew Adenauer's attitude was good and that we wanted to help with the Pleven plan [4] so that Germany would not be again a menace to the peace of Western Europe. So far not much had been accomplished, however, Foreign Minister Schuman was hopeful that meetings to provide for a European Army could be arranged and we were most anxious that such meetings take place. I added that I thought he should tell Adenauer to be reasonable and to endeavor to reach agreement in any conversations which might take place. The Prime Minister reiterated his opinion that this was a very complex problem. I agreed and stated that we were trying to find the least difficult solution. At the present time, unless Russia's attitude changed, the defense of Europe without Germany would be extremely difficult. With German participation, Europe's defense would be possible. If the Russian attitude changed, new situations would arise which would have to be met.

I then mentioned the AP report regarding the cutting off of ECA aid to Belgium. Ambassador Silvercruys said that he had seen a press despatch several days ago from Athens on this subject—that it was a very delicate matter on which ECA was very touchy. [5] I

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[4] For documentation on the French Prime Minister's plan for a European Army, proposed in 1950 and discussed at length in 1951, see *Foreign Relations*, 1950, vol. III, pp. 1 ff., and *ibid.*, 1951, vol. III, Part 1, pp. 755 ff.

[5] The reference is to the temporary suspension of ECA allocations to Belgium pending satisfactory settlement of an action by which a private Belgian firm, Socobel (or Socobelge, Societe Commerciale Belge), obtained an attachment order for the temporary blocking of $7 million consisting of $6 million in Marshall Aid funds and $1 million from the European Payments Union, which had been deposited by the National Bank of Greece in a Belgian bank to pay for steel rails to be supplied by Belgian firms to Greece under ECA auspices. The Assistant Administrator for Program, ECA, Paul Porter, announced in Washington on April 9 that the U.S. Government had informed Belgium of the suspension after conferring with a foreign affairs subcommittee of the U.S. House of Representatives. A member of the subcommittee, Abraham Ribicoff, characterized the general concern felt by his colleagues in his comment: "I do not think Congress is going to sit by and allow the funds we use for rehabilitating these nations to be able to be reached by private creditors for 25 year

Continued

said that we had just recently transmitted a note to the Embassy in Brussels [6] for delivery to the Belgian Government stating that the Belgians must release these attached funds or an equal sum would be withheld from their allotment. I added that it was unfortunate that this had burst into the press. The Prime Minister stated that he didn't know too much about this particular matter. He did know that Greece owed a heavy debt to Belgium and that Greece had received iron and steel from Belgium and had to pay for it. I replied that there was no doubt on our part but that Greece owed a debt to Belgium, however, we had established credits to assist Grecian recovery and Socobel, the Belgian firm, had attached our funds. The Prime Minister stated that Socobel, which was a private firm, had attached these funds before a Brussels court and that the Belgian Government had no influence over this court. I stated that this was not our understanding of the case—that the Belgian Government had been asked to intervene and urge that the attachment be dissolved. However, it was my understanding that the Belgian Government had urged that the attachment be upheld. The Prime Minister again stated that his Government could not intervene in this case since no government could condemn a sovereign foreign state. Ambassador Murphy then stated that he understood that the Belgian Government had intervened in this case because The Hague Court of Arbitration in 1936 had rendered a decision favorable to the Belgians, therefore, the Belgian Government, on the basis of The Hague decision, felt that it should intervene. The Prime Minister said he thought the situation was now clear and when I remarked that it was something that should be straightened out, he agreed. I added that I often had to sign certificates certifying that certain corporations were owned by foreign governments and were therefore exempt from action by our courts.

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old debts. This seven million dollars is the straw that may break the camel's back of the entire ECA." (Extract from the April 9 hearings of the House Foreign Affairs Subcommittee on Economics, quoted with similar comments by other members, in telegram Torep 2381 to Paris, April 12, ECA message files, FRC 53A278, Paris. This ECA file contains much of the correspondence on this subject. See also Department of State files 655.82231, 681.82231, 117-ECA, and 881.00R/4-2751.)

[6] The note, not found in ECA or Department of State files, was handed to the Belgian Minister of Foreign Commerce, Joseph Meurice, on April 11 by Huntington Gilchrist, head of the ECA Mission in Belgium. It warned the Belgian Government that unless it settled the dispute with the Greek Government or restituted the blocked $7 million by April 30, the U.S. authorities would make good the amount out of ECA allocations to Belgium. Correspondence between Belgium, Greece, and the United States concerning details of a settlement extended into July, but a basic agreement was announced by the ECA in Washington on June 26. For text of the announcement, see Document 135.

I suggested that if the Prime Minister were questioned by the press on this matter that he merely state that he had not yet seen the story and could therefore make no comment.

No. 130

740.5/4-2751: Telegram

The Ambassador in Belgium (Murphy) to the Secretary of State [1]

SECRET BRUSSELS, April 27, 1951—1 p.m.

1728. Personal for Cabot. Van Zeeland asked me to call on him yesterday for discussion of Belgian defense effort. He said he wanted to understand more clearly American position and in what way, if any, Belgium was not meeting its commitments. He seemed genuinely concerned over criticisms which have come to his attention during recent weeks and about which he seems to have been kept reasonably well informed by Belgian Emb Washington. He also referred to my speech of Apr 16 before Flemish Econ Association (see despatch number 1328). [2] He reviewed Belgian position including familiar topics of Belgian passage of 24-month draft bill, General Eisenhower's satisfaction with Belgian forces program, his own scheme which was submitted to Council of Deputies in Jan looking to multilateral financing scheme for mil production [3] and repeated Belgian statements made to Marshal Montgomery and others to effect that Belgium will meet its commitments and contribute its proper share to NATO collective effort.

I carefully reviewed factors entering into thinking as I understood it in Washington stressing obligation under which competent agencies of govt are to demonstrate to Congress in its consideration of mil assistance program, that European beneficiaries are doing their part. Van Zeeland's arguments ran in well worn groove that Belgian commitments under MTDP [4] and as member of NATO will

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[1] Repeated to London for Spofford, and to Paris for OSR and MacArthur (SHAPE).

[2] Not printed. The speech was generally critical of the Belgian defense effort.

[3] The Van Zeeland memorandum on this subject was summarized in the first meeting of the NATO Council Deputies on January 4 and circulated in that body as Council Deputies document D-D (51) 1. A copy of D-D (51) 1 is in the Department of State NATO Sub-Registry. For a summary and comment on the memo, see telegram Depto 385 from London, January 4, vol. III, Part 1, p. 10.

[4] The Medium-Term Defense Plan was a 4-year schedule of NATO country contributions for the defense of Western Europe, approved by the North Atlantic Council Defense Committee in 1950. For documentation on the multilateral aspects of NATO organization and finance, see *Foreign Relations*, 1950, vol. III, pp. 1 ff. and *ibid.*, 1951, vol. III, Part 1, pp. 1 ff.

be performed emphasizing lower costs for Belgian soldiers, calculation of certain budgetary items which differs from US and other countries, the existence of industrial potential which is more important than is case in some other countries is not an adequate reason for Belgium to bear a larger share than some NATO partners, etc. I told him that US in speeding its production of mil equipment at a rate which I gather from public press amounts to as much as 4 billion dollars of new orders monthly is not based on calculation of what other members of NATO are doing but on a more liberal calculation of what American national income can support. US not satisfied to await necessary collective decision in this respect. He said that Belgium cld not afford to authorize production of items which it might later find are not acceptable or needed. I pointed out that according to info given me by ISAC over 700 items have been approved by the standard group and that there was ample room for production of many items which cld be used both by Belgian forces as well as other members of NATO. Van Zeeland insisted that it was not possible for Belgium to do more on a national basis than it is now doing and that what is needed is a collective financing plan similar to what he proposed in Dec to Council of Deputies, NATO. [5]

Van Zeeland gave voluble assurances of his eagerness to promote Belgian defense preparations in a more expeditious fashion and asked for specific statement of US views as to what shld be done.

I informed Van Zeeland that I hoped to give him a memorandum shortly (what I had in mind is text which was under preparation in ISAC when I left Dept and which I understand wld be available about time of my return to Brussels). [6] It wld be appreciated if Dept cld provide this statement as soon as possible. It wld have been most useful to have had it today.

MURPHY

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[5] Reference is to the memorandum described in footnote 3 above.

[6] The memorandum referred to here, or at least its substance, is presumably the message transmitted on May 4 to Brussels in telegram 1466, *infra*.

No. 131

740.5/4-2751: Telegram

The Secretary of State to the Embassy in Belgium [1]

SECRET WASHINGTON, May 4, 1951—7 p.m.

1466. Toisa.

1. Fol msg concurred in by ISAC agencies deals with negots re adequacy Belg def effort.

2. Van Zeeland's statement to Amb (Embtel 1728 [2]) that not possible for Belg to do more on national basis than it is now doing goes to fundamental issue. It wld seem to us that this issue, i.e., size of Belg contribution to collective def effort, wld persist irrespective of nomenclature used to describe it. Unable to understand why it wld be any easier for Belg to increase contribution if labelled as part of collective financing plan. To say it wld be implies Belg recognition of inadequacy present contribution; contrary implies Belg proposes maintain present relative position its def effort as among NATO nations.

3. Believe it important to distinguish between two related but separate problems which are being confused by Belgs. First problem is to obtain a Belg def effort which is more adequate in terms relationship to Belg resources and comparison with other NATO countries. Second problem is to utilize Belg prod capacity for prod of mil equip needed by armed forces of Belg and other NATO countries. First problem exists and wld exist even though there were no unemployed Belg prod capacity. It is purely Belg problem solvable only by Belg. Second problem exists in other countries in Eur as well as Belg and solution requires combination of natl and internatl action. Use of prod capacities of Eur cannot be solved by any magic formula or plan; in final analysis requires money which can only come from appropriations made by NATO countries.

4. With respect to first problem we simply cannot accept Belg thesis that her present effort represents maximum she can do. Embtel 1060 [3] reported Belg Govt proposes 17.5 billion franc expenditure for def for 1951. Alleged increase therein of 4.9 billion francs appears to be primarily transfer from civil to mil accounts and not real increase. Belg def budget computed without these

[1] Copies sent by pouch to London for Spofford, to Paris, and to Heidelberg. Drafted by the Assistant Director of the Office of International Security Affairs, John Bell, and cleared by Kranich (RA), Winfree (WE), Lippincott of ECA, Colonel Van Sycle of Defense, Curtis of Treasury, and Schelling of the Executive Office.

[2] *Supra.*

[3] Inaccurate reference. The correct document has not been identified in Department of State files.

para-mil items (i.e., about $278 million) represents about 4.3% estimated GNP and by this criterion only Den, Portugal, and Lux are doing less. Belg econ position one of best in Eur. Belg has relatively good dol position and bal of payments surplus with other Eur countries. Per capita income one of highest. Nr of Belg citizens whose earnings needed to support each man under arms less than any nation except Portugal. Only 3.6 per 300 of population are on active service. Fr for example has 5.4 per 300. Belg manpower obviously available for greatest troop strength. Belg production and procurement program for period 1951 through 1954 represents expenditures of only $570 millions (DPB(51)30 [4]).

5. What our view amounts to in essence is that in our judgment, and we believe by any objective comparison, Belg is not now carrying a fair share of the burden of the NATO def effort. We fully recognize that a final and definitive judgment as to what is a fair share of Belg and other NATO countries must await conclusions of present NATO exercise and be a multilateral judgment. We cannot, however, ignore fact that by any criteria we can conceive as being applicable that judgment will affirm our view. We recognize that for some time burden-sharing comes down to division of US aid among NATO countries. In absence of final multilateral judgment and agreement on shares which each country shld bear, US as grantor must allocate aid on basis its judgment as to need. This obviously involves US judgment as to extent to which grantee nations utilizing own resources in comparison with ourselves and others. US cannot and will not provide aid in order to relieve Eurs of effort which they are clearly capable of making. While our primary objective is to obtain equipped and trained forces in being at the earliest possible moment, we believe a truly effective collective def force must be founded upon a wholehearted cooperative collective effort in which each NATO country consistent with its obligation under the NAT contributes what it best can. We cannot substitute for Eur effort; we are eager to supplement it.

6. As result of informal discussions on mil level Belgs have apparently assumed that US wld supply end-items in such amt and kind that present Belg mil budget wld meet remaining costs Belg MTDP commitments. No firm end-item program beyond FY 51 exists. Preliminary review here indicates proposed 1952 end-item program contains large quantities of equip which cld be produced in Belg or procured in Eur. Belgs shld be informed that after full review Belg requirements and Belg capabilities to produce or procure, appropriate adjustments in end-item program will be made. These adjustments will probably require elimination from Belg pro-

[4] Not found in Department of State files.

gram and diversion elsewhere of items which Belg can produce or procure within same time sched. Preliminary analysis here Belg capability and requirements indicates Belg cannot fulfill present MTDP commitment by June 1954 without substantially increasing presently planned program each year for next three years.

7. Moreover, country time phased programs which appear in NATO plans (DC-28) [5] represent unilateral estimates on each country's part based on own judgment as to maximum amount possible contribution. These estimates do not represent NATO allocation of tasks and therefore no NATO member is entitled to claim NATO obligations fully discharged simply because it is executing its voluntary commitment.

8. It is obvious that creation of adequate collective defensive strength in Eur is impossible without US help. US Govt is committed to NAT and to doing its share to achieve desired defensive posture in Eur. At same time US making major contribution to UN effort in Korea and endeavoring strengthen its own mil posture. Domestic and fon demands on US resources very heavy and placing unprecedented peacetime burden on US taxpayers. Natural consequence is to intensify insistence that those who ask us to aid them demonstrate they are doing utmost to help themselves. In this atmosphere we must go to Congress with request for funds to provide aid to NATO partners. Basic situation far from satisfactory. We must admit fact that despite joint judgment that certain size and composition of forces is required for an adequate def (MTDP) forces so far committed by NATO nations (DC-28) are far less than those agreed to be needed. We must admit that combined NATO production plans will not even provide all of equip needed by forces so far committed. We must nevertheless convince Congress that the goals are feasible and will in fact be obtained. This cannot be done on assumption that gaps in forces and equip will be provided solely by US. It is essential that we be able to express and justify confidence that present performance and future action of our allies is and will be such as to warrant belief that target can and will be reached.

9. Plain fact is that in surveying present performance of our NATO allies inadequacy Belg effort sticks out like sore thumb. No amt of rationalization can completely conceal fact that by comparison with other NATO countries and in terms of econ strength and resources Belg effort is much less than she is capable of and on the whole the most inadequate of any NATO country. If this situation

[5] A report by the NATO Military Committee concerning Medium-Term Defense Plan Force Requirements, approved and forwarded to the Council Deputies by the NATO Defense Committee on October 28, 1950. For information on the genesis of this report and action taken on it in late 1950, see *Foreign Relations*, 1950, vol. III, pp. 415 ff.

continues during Congressional presentation and hearings on aid bill, effect can be quite serious. At worst it may jeopardize entire program; at best it involves risk that arbitrary and damaging legislative conditions on aid will be imposed or that Belg will be singled out for special treatment which is not too remote possibility in view Congressional feelings re Socobelge case. Obviously such effects wld damage both US and Belg interests. We believe it essential that some improvement in Belg picture be obtained. Ideal wld be immed and substantial increase in Belg effort. Any steps in this direction or commitment to take such steps wld be helpful.

10. We appreciate fact you are confronted by steady Belg barrage of excuses. Our considered view is that continued debate about their validity profits us not. We think statement that Belg cannot expend funds effectively without detailed direction from US must be frankly called an excuse and treated as such. Belg knowledge of the problem is no less than our's. She knows there have not been enough forces committed; that there must be equip produced for both the forces committed and those to be committed; she knows the kind of equip required by them as well as we; she knows better than we what can be produced in Belg and equally well what can be procured in Eur; she knows as much as we about the approved types; she certainly must realize that the gaps in forces and equip cannot be met unless funds are provided. The situation seems to be that the Belgs expect these needs to be met without any further contribution by Belg. We wld like to get to this basic question. Is or is not Belg willing to do more? If Belg is willing to raise her effort to a level more nearly consistent with her capabilities, it seems to us patent that she can readily find ways to expend her funds effectively. There are a considerable nr of items in presently planned end-item programs which Belgs cld produce for themselves or for others (JAMAG 760 M, Apr 14) or procure elsewhere in Eur. DPB has made concrete recommendations (MPSB (50)142 and DPB(51)29).[6] Even if we assume full delivery all end-items contained in presently planned program and add to it Belg production as planned for the period 1951 through 1954 there will remain, according to our studies, large deficiencies (based on requirements of forces committed under DC-28) in categories of artillery, combat vehicles, ammunition, small arms, and transport vehicles. These are not exhaustive of deficiencies which will exist. The only basis on which Belg can be complacent about her effort is one which assumes the US taxpayer or some other NATO country's taxpayer

[6] These documents of the Joint American Military Advisory Group, the Military Production and Supply Board, and the Defense Production Board have not been found in Department of State files.

will pay her bills. We do not think people as competent and intelligent as Belg can expect us to take seriously idea they cannot find way to use funds if they are provided.

11. We hope that using such of the foregoing as you deem most likely to be effective you will be able to make clear to Belgs that we think their effort inadequate, that we are certain they possess the capability to do more, that we are confident they can effectively spend more, that failure to improve their effort seriously jeopardizes the attainment of NATO objectives and our ability to obtain authority and funds to provide them aid in the future. Objective is to obtain improvement or best possible promise of improvement in near future which can be used in Congressional presentation. [7]

ACHESON

[7] In telegram 5878 from London, May 10, the Deputy Representative on the North Atlantic Council, Spofford, agreed with the thinking in this message, emphasizing that although the ECC agencies in Europe, with the help of the ECA country missions, should guide the Belgian defense financing program with specific suggestions on courses of action, nevertheless the primary responsibility lay squarely on the Belgians and they should realize that U.S. aid was a supplement, not a substitute, for the Belgian effort. (740.5/5-1051)

No. 132

755.14/2-951: Airgram

The Secretary of State to the Embassy in Belgium [1]

SECRET WASHINGTON, May 5, 1951.

A-473. Reference Embassy's telegrams Nos. 1615 of April 5; 1732 of April 27; 1749 of May 2 and Deptels 1358 and 1360 of April 12. [2]

If officials of Ministry of Communications have not taken action to eliminate Communist activity their Ministry suggest you take up forcefully on as high a level as you deem appropriate and press for elimination. In Department's opinion decree published in *Moniteur Belge* of February 5 and 6, 1951, reported in Embassy's despatch No. 956 of February 9, 1951, [3] should be used to effect discharge Commies in Ministry. This intolerable situation already prejudicing UN war effort Korea by sapping morale Belgian contin-

[1] Drafted by Winfree of WE and cleared by Hickok and Scott of the same office.

[2] These telegrams all concerned Communist sabotage of communications between Belgian troops and volunteers in Korea and their families at home. The telegrams are in files 795.00, 511.5541, 795.00, 511.9541, and 511.9541, respectively. Other files containing related documentation are 755.14, 755.001, 795.5, 511.554, and 955.00.

[3] Not found in Department of State files.

gent. Department amazed Belgian authorities have permitted Commies gain such ground in key Ministry.

Dept fears that if action from Belgian side not forthcoming promptly, story will leak eventually with resulting prejudicial effect on US aid behalf Europe and effect other NAT countries. If Belg refuses take action Dept appreciate your views and recommendations on having US or third country give full publicity to force Belg into action.

It also appears to Department that officials Radio Belge are, consciously or unconsciously, aiding and abetting Communist cause in influencing civilian comite abandon project to record messages from families to Belgian volunteers in Korea. If original recorded messages too depressing, second try could be made or tape could be edited eliminating depressing messages. Since such messages would be valuable contribution to morale of Belgian contingent suggest Embassy urge comite proceed with project. [4]

ACHESON

[4] Documentation on the followup of this suggestion has not been found in Department of State files.

No. 133

740.5/5-951: Telegram

The Ambassador in Belgium (Murphy) to the Secretary of State [1]

SECRET BRUSSELS, May 9, 1951—6 p.m.

1779. Personal for Cabot. Further urtel 1466. [2] I conveyed to Van Zeeland this morning after his return from London substance of urtel omitting refs to Paris [*paragraphs*] 5 and 6 (see mytel 1770) [3] leaving with him informal memo [4] containing substance urtel. I explained to Van Zeeland that you were appreciative of affirmative efforts which Belg has made in defense field with especial ref to 24-month draft law, etc., US believed Belg capable of greater effort. I

[1] Repeated to London for Spofford and to Paris for MacArthur.

[2] Document 131.

[3] In telegram 1770 from Brussels, May 8, Murphy reported on his conversation with Eisenhower in Brussels the preceding day covering the substance of paragraphs 5 and 6 on end-item deliveries. The General had asked Murphy to report that he, Eisenhower, would view with the greatest concern any proposal to reduce U.S. deliveries under the end-item program because to do so "might endanger our primary objective of creation of adequate forces in being as soon as may be possible." Murphy said that in discussing the substance of telegram 1466 with Van Zeeland he would make no reference at this stage to a possible reduction of end-item deliveries. (740.5/5-851)

[4] Not found in Department of State files.

emphasized that our auths in Wash seriously concerned over eventual Congressional reaction to poor Belg showing as this might entail adverse effect on entire MDAP.

Van Zeeland replied that he had come away from London with feeling that Belg effort benefited by comparison with what other Eur countries are doing. According Van Zeeland Belg delegation at London is positive that Belg is doing better than most other Eur countries. He had enjoyed, he said "very agreeable" talks with Spofford and Herod day before yesterday, and was not conscious of dissatisfaction their part re Belg defense effort. Spofford informs me by telephone that he will convey Dept's viewpoint to Belg deputy and to De Staercke.

Before commenting further on our views re Belg effort Van Zeeland wanted to make close study of memo which I left with him and wld communicate Belg reactions soon. He also promised to have De Staercke visit Emb on his return to Brussels this week and explain London point of view. This he hoped wld enable better mutual understanding of problem.

Van Zeeland also wondered whether it might not be well for him to visit Wash in near future as he wld like a personal talk with Secretary on this subject and other matters and asked my opinion. I replied that I was sure Secretary always welcomed opportunity to meet with him but that perhaps at moment Wash agenda was very crowded. Possibly during coming weeks there might be a favorable moment. [5]

It occurs to me also that it might be helpful if Dept asked Belg Amb in Wash to call and explain point of view stated urtel 1466.

MURPHY

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[5] Murphy again raised this subject in a letter to Acheson dated May 23 in which he said he would welcome the opportunity for Van Zeeland to meet with the Secretary and with Cabot and some of the ECA staff in Washington. Murphy suggested that Van Zeeland, in his capacity as Belgian Foreign Minister as well as Chairman of the North Atlantic Council, might be able to "convey a helpful picture" on defense problems and gain a better understanding of the problems as seen in Washington. (755.13/5-2351) Acheson replied on June 5, saying the visit would be useful but must be postponed because of his heavy schedule including extended appearances before the Congress and a possible conference of Foreign Ministers in July. (740.5/5-2351)

No. 134

755.5 MAP/5–3151: Telegram

The Administrator for Economic Cooperation (Foster) to the ECA Mission in Belgium [1]

SECRET WASHINGTON, May 31, 1951—9 p.m.

Ecato 263. Toisa. Reference Toeca 181, rptd Torep 181; [2] Repto 2355, rptd Brussels Repto 143. [3]

1. Having considered reftels ECA/W decision is to accept recommendations Mission and OSR and to make no further allotments econ aid to Belg this FY. Figures presented Congress will reflect this decision.

2. Bissell has carefully reviewed his conversation with Ockrent here and is clear no commitment was made and no basis given Belgs to count on additional allotment. Nevertheless, believe it most important avoid misunderstanding, appearance of any difference of opinion between ECA/W and Mission, or any accusations of bad faith by Belgs. Accordingly, believe it essential send personal letter from Bissell to Ockrent to explain decision.

3. Text of letter is as follows:

"You will recall that in the course of our recent conversations in Washington, [4] I told you that I would initiate an examination of the facts of the current Belg econ situation, and that I expected that results of this examination would indicate the need for an additional allotment of program funds to Belg.

"An appraisal of the econ situation has now been completed by my staff here which indicates clearly that Belgs external financial position at this time is highly satis and that prospects, at least for immed future, also appear to be very favorable. It is therefore necessary to draw the conclusion from the evidence of Belg econ progress that an additional allotment to Belg this year will not be required. This decision is totally unrelated to issues arising out of the Socobel case.

"I might take this occasion to restate present ECA policy with regard to the criteria for justifying econ aid to NATO countries. As in the past, the limits on the provision of available econ aid continue to be determined by balance of payments requirements. However, since the beginning of the year, ECA has had to give primary

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[1] Sent also to Paris as telegram Torep 3674. Drafted by R. E. Lippincott and A. Weininger of ECA and cleared in ECA by the Deputy Administrator for Economic Cooperation, Bissell, and Assistant Administrator for Programs Porter.

[2] From Brussels, May 22; it raised questions concerning the inconsistency of a proposed $10 million additional allotment of economic aid to Belgium in the light of concern over the Belgian defense effort as expressed in telegram 1466, Document 131. (ECA message files, FRC 53A278, Paris)

[3] Not found in Department of State files.

[4] Ockrent had visited Washington to discuss the Socobel case.

consideration to the effect of national defense programs upon the balance of payments of NATO countries. To the extent that the existing or prospective level of military effort in a country gave reasonable indications of a deterioration in its external financial balance, ECA has made available an appropriate amount of supporting econ aid. In the case of Belg, the present level of rearmament does not appear likely to have an unfavorable impact upon the balance of payments nor to result in deterioration in internal financial stability.

"ECA will shortly place before the United States Congress a request for appropriations for further assistance in 1951/52 to those NATO countries, including Belg, whose military programs may be of a magnitude which would impose an undue burden on their balances of payments. The details of the relationship between a given level of defense expenditure and the appropriate amt of econ assistance to be extended to each country is, of course, a subject for further negotiation.

"You may feel assured that our Mission in Brussels is ready, as always, to discuss with you further the matters raised in this letter."

4. Please note following points about this draft. (a) Purpose is to suggest that final review Belg position and final decision made in ECA/W so as avoid any impression that ECA/W favored further allotment and that Mission held contrary view. (b) Text deliberately omits reference to relationship between reduced Belg allotment for year and Belg initial position in EPU. We believe this matter should be discussed and settled between Mission or OSR and Belgs as OSR may direct. As to substance of question we believe every effort shld be made to dissuade Belgs from seeking adjustment of their initial position.

5. Suggest following procedure. Letter signed Bissell now enroute Mission via air pouch. Request Mission delivery to Ockrent upon receipt, unless Mission or OSR see compelling reasons to contrary. Pls cable exact time proposed delivery to permit us inform Jaspar, Belg rep here, simultaneously. [5]

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[5] The decision to deliver the Bissell letter to Ockrent, as transmitted in telegram Ecato 263, was altered in succeeding weeks by discussions in OSR and in Brussels. Telegram Toeca 375 from Brussels, August 27, suggested that the letter be recast to request further discussion with Belgium based upon an updated analysis of the Belgian defense effort and deliberations by the NATO Financial and Economic Board on the distribution of economic aid among the NATO participants. The proposed redraft made it clear that U.S. willingness to enter into these discussions would in no way imply that economic aid to the Belgo-Luxembourg economic union for 1951–1952 would be forthcoming. (755.5-MAP/8-2751) In telegram Ecato 483 to Brussels, September 5, the ECA and Department of State approved the new approach but instructed the mission to delay conversations with the Belgians until establishment of a U.S. position. (755.5-MAP/9-551) Telegram Toeca 405 from Brussels, September 13, stated that the revised letter with oral comment had been delivered to Ockrent on that date together with word that the latest illustrative figures submitted to Con-

Continued

6. Upon delivery Bissell letter to Ockrent, Mission may wish to supplement Bissell statement on I.P. with emphasis following points. (a) Belg have received 74.3 mil from ECA in 50/51, incl loan to Congo. This amt greater than Belg requirements in light EPU earnings which actually represent another form US aid. (b) Belg insistence on right to reduce I.P. would make most unfavorable impression on Congress. This particularly significant at time when ECA engaged in seeking funds for next FY. Critics of US foreign aid may be expected seize on this issue to disadvantage not only Belg but entire Eur community.

FOSTER

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gress on the possible division of economic aid contained no allocation for Belgium-Luxembourg. (755.5-MAP/9-1351)

No. 135

ECA message files, FRC 53A278, Paris: Telegram

The Administrator for Economic Cooperation (Foster) to the ECA Mission in Belgium [1]

RESTRICTED PRIORITY WASHINGTON, June 25, 1951—7 p.m.

Ecato 344. Information officer from ECA/W info. Following release to be issued 10:00 a.m. (EDT) Wash., Tuesday, June 26. Suggest you may wish to issue simultaneously:

1. ECA today announced final agreement among Govts Belgium, Luxembourg, Greece and U.S. on problems that arose out of attachment by private Belgian company of MP credits for Greece. [2]

2. Agreement provides that Govts Belgium & Luxembourg will make available immediately to Greece funds equivalent to sum attached.

3. These funds will be used by Greece in two ways. Under first, Belg francs equivalent of about $2.7 million will finance cost of 45,000 tons of steel items to be shipped to Greece for Greek railways at prices specified in original contracts with Belg-Lux suppliers. Under second, Belg francs equal to balance of credits attached will be made available Greece. Greece may use latter funds to pay for any other goods or services originating in Belg-Lux, or Greece may add them by mutual agreement to credits available to her in EPU for settlement intra-European payments positions.

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[1] Sent also to Paris and Athens. Drafted by J. L. Newman of ECA and cleared in ECA by Ebb, Weininger, and Assistant Administrator for Program Paul R. Porter.

[2] See footnote 5, Document 129.

4. Agreement stems from ECA investigation of non-delivery of steel which 20-odd Belg-Lux companies were to have supplied Greek Govt for Greek railways. Filling of contracts for steel was originally held up because MP credits to Greece, provided for orders, were attached by private Belg company.

5. Funds still under attachment by Belg company amount to $6,188,000. Belg-Lux agreed in May that ECA should withhold equivalent sum from their MP dollar allotments, pending Belg-Lux Govt efforts to get original contracts filled.

6. 45,000 tons steel items which will now be shipped to Greece represent more than half of undelivered tonnage and, together with tonnage previously shipped, constitute 70% of total called for in original orders. Because of sharp price increases since negotiation of original contract. Belg-Lux suppliers felt that they were no longer obligated to provide steel items at old contract prices, but finally agreed to supply 45,000 tons on original terms.

7. Belg-Lux Govts have also agreed that funds now set aside for Greece will be immune from attachment in their two countries, and that final deliveries of 45,000 tons of steel will be completed within 6 months after Greek Govt specifies to suppliers types and quantities steel materials desired.

8. In addition, Belg-Lux Govts will take over Greek Govts interest in funds attached by private Belg company. Belg-Lux have agreed they will not have any claim against ECA, EPU or Govt Greece should all or any part of amounts attached not be released to Belg-Lux Govts.

9. In meantime, pending deliveries of steel and other goods or release of funds to Greece for EPU payments, ECA will continue to withhold MP dollars equivalent to sum attached by private Belg company.

FOSTER

No. 136

755.5-MAP/8-2751: Telegram

The Ambassador in Belgium (Murphy) to the Secretary of State [1]

SECRET BRUSSELS, August 27, 1951—7 p.m.

272. Toisa. Urtel 221, Aug 17, 4 p.m. [2] There is no doubt that Van Zeeland will welcome discussion Belg def effort and over-all

[1] Repeated to London, Paris for MacArthur, Frankfurt, and Heidelberg.

[2] Telegram 221 requested the Embassy in Belgium, as well as those at London, Paris, and Heidelberg, to which the telegram was repeated, to supply suggestions

Continued

NATO def effort with the Secretary during Van Zeeland's forthcoming visit to US (see mytel 263, Aug 25 [3]). As Dept is aware he has stated eagerness on several occasions during past months to discuss def effort with Secretary.

No pat formula occurs to us as new approach which Secretary might use to stimulate Belg to increase def effort but after consultation with MAAG and ECA Mission fol considerations are suggested: Secretary might wish support our urgent desire reach with Belgs agreed yardstick for measuring size of Belg def effort and its impact on Belg economy. We believe that achievement such agreement will be more effective and advantageous than continuance gen and undocumented criticism Belg def effort. It is also suggested that in continuing our efforts to increase and accelerate Belg contribution to NATO we shld not ignore growing Belg conviction that US criticisms of Belg effort disregard Belg problems and limitations.

Secretary of course will appreciate Belg polit factors involved with a single party govt in power having thinnest kind of majority in both houses of Parliament and facing serious opposition to increased mil expenditures not only by opposition, which includes Socialists (Spaak's party), the Liberals and Commies but also among Social Christians who are sole support of govt. Secretary initially might state his understanding of this practical problem which involves a balky Parliament generally disinclined to spend more money or transfer spending to def from purposes which shld be of lower priority. Having made that sympathetic gesture Secretary cld then refer to inadequate job which govt has done to bring home to Belg public need for greater def effort and unwisdom of its resting on its oars as has been case with govt complacently restating at intervals that it is living up to its commitments under medium term plan. As variant govt frequently suggests that Belg is actually living up to its commitments and that its immed neighbors are not doing so. Van Zeeland of course fully aware that standard of maximum performance according to resources as advocated by US involves far more than simply meeting mil commitments freely undertaken (with MDAP aid substantially offsetting econ impact such commitments). He will undoubtedly restate that Belg willing do full share in any multilateral program and no doubt will advance well-worn argument that Belg parliament simply will not go along

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regarding any new approach which Acheson could use to encourage Van Zeeland in stimulating the Belgian defense effort. The Department felt Van Zeeland would want to discuss the subject while in the United States for signature of the Japanese Peace Treaty and attendance at the Seventh Session of the North Atlantic Council at Ottawa in September. (755.5-MAP/8-1751)

[3] Not printed.

with proposition that Belg do proportionally more than its continental neighbors even though he personally advocates greater effort.

In discussion with Van Zeeland sight shld not be lost of fact that Belg force commitment has never been subj mil criticism and that Belg mil thinking as evidenced by troop lists now under study by MAAG is well in advance DC 28 commitment. We also believe that actual procurement is coordinate with or in advance of budget estimates so that Belg procurement program as presently outlined is on time and in phase with activation mil units.

In our judgment advance planning mil auths will in itself exert strong upward pressure def procurement and expenditures over remaining period MTDP and Belg spending these purposes very likely be considerably higher than present estimates even if prices do not rise.

We believe Van Zeeland visit offers excellent opportunity again impress upon him urgency for all NAT countries work for closer existing mil, production, and financial gaps. [4] In connection with production matters we believe it wld be useful inform Van Zeeland that US is so convinced of availability and need to use Eur productive capacity that we are contemplating limited use funds start production in certain equip fields. Van Zeeland shld be informed however, that if off-shore procurement orders were placed in Belg it wld be primarily for purpose of getting production going and we wld expect Belg continue and increase such production with its own financial support once it was started.

Secretary might also wish express interest in Belg prefinancing plan [5] which was inspired by Van Zeeland and say that it has merit and deserves support as long run program to stimulate Eur responsibility and coordination in mil production and as practical method increasing usefulness DPB.

We wld certainly recommend against use of any form of threat of reduction of econ aid or end-use deliveries because (a) it is doubtful Van Zeeland really expects allocation to Belg econ aid this FY and (b) suggestion of reduction of end-item deliveries wld neither stimulate Belg action nor further US objectives.

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[4] In London's answer to the request for suggestions (see footnote 2 above), Spofford emphasized this same point and added that it should be made clear to Van Zeeland that the U.S. effort was directed not to Belgium's strictly military performance but toward an increase in the Belgian defense budget closer to the point of the country's economic capability. (Telegram Depto 273 from London, August 25, 740.5/8-2551)

[5] The plan circulated in the Council Deputies on January 4. See footnote 3, Document 130.

Finally reference might be made to eventual application of whatever counterpart funds might be available to def purposes.

MURPHY

No. 137

740.5/10–451: Telegram

The Ambassador in Belgium (Murphy) to the Secretary of State

SECRET BRUSSELS, October 4, 1951—3 p.m.

473. Re mytel 421, Sept 26. [1] Van Zeeland tells me this morning that during course of yesterday's 5-hour Cabinet meeting there was a thorough discussion of his suggestion that Belg renounce ECA direct aid. He explained that at Ottawa [2] he had convinced Belg Fin Min and the Def Min of wisdom of such action. His thinking was that it wld have good effect on Amer public opinion and wld also have good effect on "joint def effort." However, he said he is not able to convince rest of members of govt on this point although they have agreed with everything else he did at Ottawa and San Francisco. [3] Their objections stem from purely domestic considerations. In their opinion the Belg public is not prepared for such an announcement and wld misunderstand it. It wld expose govt at this stage to attack by Socialist and Liberal opposition parties who he said are planning a very vigorous campaign against govt with the convening of Parliament in Nov.

Van Zeeland referred to situation prevailing in France and Holland where direct aid had been used to bolster up capital investment situation so that France and Holland disposed now of improvements such as hydroelectric installations, newly equipped steel and other plants, improved coal production facilities and a host of other things which Belg had not been able to achieve because it had not received a similar volume of direct aid. It thus found itself at a disadvantage which Belg opposition parties (Socialist and Liberal) intend to exploit.

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[1] Not printed.

[2] At Ottawa, during the Seventh Session of the North Atlantic Council, Van Zeeland informed Acheson and Foster of Belgium's desire to announce its independence from American economic assistance. The announcement was delayed pending discussions on the wording and coordination of the release in Belgium and the United States. (Telegram Ecato 513 to Brussels, September 21, ECA message files, FRC 53A278, Paris)

[3] Van Zeeland was in San Francisco in early September to attend the Japanese Peace Conference. For documentation on the conference, see vol. VI, Part 1, pp. 777 ff.

Van Zeeland said he hoped that the Secretary wld understand the position. At the time he discussed it with the Secy he felt confident he cld carry rest of govt with him. [4]

MURPHY

[4] No memorandum of this conversation has been found in Department of State files.

No. 138

733.5-MSP/12-2251: Telegram

The Chargé in Belgium (Millard) to the Secretary of State [1]

SECRET BRUSSELS, December 22, 1951—2 p.m.

858. Toisa. In view of fact that Belg negots TCC [2] and elsewhere have cited Belg defense build-up as chief basis for Belg claim that Belg is appropriately sharing NATO burden, recommend Dept inquire urgently whether exact or approx figures regarding US contribution to Belg def build-up through MDAP end-item program and deliveries can be given Belg Govt officials on unclassified or confidential basis.

From reports thus far recd from Paris, Belg strength in TCC negots rested mainly on Belg's considerable milit force build-up. Apparently also the Belg case based largely on the build-up of Belg milit strength was challenged from point of view of its being financially as much Amer as Belg accomplishment. Instead Exec Board TCC apparently generally disregarded this factor and returned to position that exercise was largely concerned with closing financial gaps.

In actual fact financial burden for programmed Belg milit contribution to NATO is approx equally shared by the US and Belg, i.e. the cost of programmed US end items under MDAP is somewhat larger than all milit costs as yet projected by Belg Govt.

Rptd instructions have prevented Emb from revealing total cost of MDAP aid.

Because costs borne by US through end-item programming and deliveries have never been made known to Belg Govt, few if any Belg Govt officials aside top milit leaders have any concept of mag-

[1] Repeated to London for Spofford, and to Paris for OSR and USDel TCC.

[2] Reference is to negotiations conducted in Paris in December based upon the results of the NATO Temporary Council Committee (TCC) studies of each NATO participant's potential defense contribution as measured against its actual performance. For documentation on the formation and activities of the TCC, see vol. III, Part 1, pp. 1 ff.

nitude US financial contribution to Belg def build-up. For this reason Belg Govt polit and financial leaders, at least in public statements and NATO negots, have present belief milit effort as almost purely Belg accomplishment, stand obviously over-valuing at least Belg financial contribution to build-up. In addition such leaders apparently do not understand legitimate interest of US in increased Belg financial contribution and do not understand failure US elements to be impressed by Belg effort.

Emb believes Belg officials ultimately, and perhaps soon, will be much more amenable to US objectives if informed of total cost of US end item program, and recommends Dept inquire into question of whether Belg officials may be given exact or approx figures. Emb believes accomplishment full US objectives TCC and other negots very difficult unless Belg negots may be made to understand above facts.

Furthermore, even if Belg Govt officials cld be made aware of these facts, Belg Govt, particularly present weak govt, [3] will face difficulty in finding enough Parliamentary and public support to be able to provide increase in Belg effort that "burden-sharing facts" require unless these facts, at least in gen terms, can be given to Belg public. Belg negative TCC position has been strongly supported by all sectors Belg press on basis Belg is already well ahead of other NATO partners. If publication of true facts re costs can be made without impairing US security objectives, Emb believes that chances of mtg both NATO and UK objectives will be greatly enhanced.

Even if "burden-sharing facts" cannot be given public, Emb strongly recommends Dept exert pressure for authority release such facts to appropriate Belg Govt officials on confidential basis. ECA concurs, MAAG concurs subj to Def approval re release program figures to public.

MILLARD

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[3] This appraisal of the government of the Social Christian Party is in part explained by a brief discussion of the party's leadership problems sent to London for Spofford, Paris for MacArthur, and to Washington as despatch 761 from Brussels, December 20. (755.00/12-2051)

FRANCE

POLITICAL, ECONOMIC, AND MILITARY RELATIONS OF THE UNITED STATES WITH FRANCE [1]

A. Visit to Washington of Prime Minister René Pleven, January 29–30, 1951

No. 139

751.13/1-1051 Telegram

The Ambassador in France (Bruce) to the Secretary of State

TOP SECRET NIACT PARIS, January 10, 1951—2 p.m.

3922. Eyes only for the Secretary. Have never had official approach subject possible Pleven visit Washington but as I previously cabled (Embtel 3293, December 9 and 3757, January 3 [2]) this will be suggested and I have good reason to believe Pleven will discuss it with me this weekend probably saying that he is requesting my personal views so that he will not technically have made an official request that may be rejected by us.

To date in conversations with his friends, whenever the subject has been mentioned, I have endeavored to discourage trip. Last week in Parisian press speculation was that he would go to Washington about January 17 during recess French Parliament for short visit to exchange views with President and yourself on matters foreign policy. This report was of trial balloon nature and I believe inspired by Pleven himself.

From general French standpoint and especially that of Cabinet such meeting would be desirable even if merely *pro forma*. Budget, including rearmament program allotments, has been passed. Pleven would return here with greater prestige to subdue recalci-

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[1] For previous documentation on U.S. relations with France, see *Foreign Relations*, 1950, vol. III, pp. 1357 ff.

[2] Telegram 3293 from Paris, summarized a speech by de Gaulle at Lyons attacking Pleven on the grounds that he did not enjoy sufficient prestige to be invited to the talks between President Truman and Prime Minister Attlee in Washington December 4–8. Ambassador Bruce reported that Pleven's position was "somewhat weakened" by his failure to be invited and suggested an early invitation to the French Prime Minister in order to reinforce French determination to rearm and to enhance the prestige of the Pleven government. (751.13/12-950) Telegram 3757 from Paris, reported that French papers had recently carried "obviously inspired" stories "that Prime Minister Pleven will go to Washington between January 13 and 22 for discussions that will include direct talk with President." (751.13/1-351)

trant elements his own Cabinet and Parliament and would speak with larger authority to French people.

I have pointed out that President and you are extremely occupied, that Petsche and Moch have already been there, [3] that Auriol is scheduled for visit to President end of March, [4] that questions to be discussed by French might be handled through diplomatic channels. In spite of this I now feel that only a flat statement by me that such a visit would be unwelcome will now dissuade him.

Pleven is especially concerned to discuss our intentions; decision should be taken if Chinese Communist armies openly participate in Indochina war.

As I have previously cabled I see considerable advantages to be gained from our standpoint in improving French determination and significantly influencing French foreign policy as result such visit. As you are aware, although Pleven is determined to improve French defenses, his position on foreign affairs problems has not on some occasions been as acceptable to us as Schuman's (Korea and the Chinese rails for example, on which I believe Pleven over-ruled Schuman). It would therefore be particularly helpful for Pleven to be exposed in Washington to our point of view. Also Pleven's fluent English is advantageous. You are thoroughly familiar with disadvantages. If you approve such visit suggest it be limited to not more than two days.

Will await your instructions. [5]

BRUCE

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[3] Maurice Petsche, French Minister of Finance, headed a delegation to Washington in October 1950 for financial and military talks with U.S. officials. For further documentation, see *Foreign Relations*, 1950, vol. III, pp. 1357 ff. French Minister of Defense Jules Moch visited Ottawa in November 1950 for talks with the Canadian Government in connection with European defense.

[4] For documentation concerning the visit of French President Vincent Auriol to the United States in March and April 1951, see Documents 156 ff.

[5] Upon receipt of this telegram, Assistant Secretary of State for European Affairs Perkins sent a memorandum to the Secretary of State concerning the possible visit of Prime Minister Pleven. "I appreciate that it would be most inconvenient for you and the President to receive Pleven in Washington at this time," Perkins wrote, "and there is little we could give him to take back to Paris. Nevertheless, from my point of view the advantages that Ambassador Bruce set forth in his telegram to you . . . are certainly most pertinent and it would be most helpful if the French Premier might be invited to come to this country for a brief *pro forma* two day visit, subject of course to Pleven's raising the question with Ambassador Bruce. I hope the above does not depress you too much and that you may be willing to raise the question with the President." (Memorandum, January 10, 751.13/1-1051)

No. 140

751.13/1-1051 Telegram

The Ambassador in France (Bruce) to the Secretary of State

TOP SECRET NIACT PARIS, January 10, 1951—4 p.m.

3925. Eyes only for the Secretary. In relation to previous telegram today subject possible Pleven trip US. [1] I had lunch this afternoon with Reymond Aron, most sympathetic of all French writers to objectives American foreign policy. He is Gaullist by political affiliation but started out immediately by saying it was duty of Pleven go America and discuss at once with President and yourself what should be French policy in event, which he anticipates will shortly transpire, of Chinese Communist intervention in Indochina. Aron feels French will never make adequate contribution to European defense while maintaining best officers and non-coms in Indochina but believes plans there must be reviewed in light overall occidental policy and if necessary French Union Army should prepare in common interest for orderly retreat to south instead of evacuation. Thinks matter of such importance can only be considered by Chiefs of State and should be done without delay. Cannot have been inspired by anyone in French Government since for three weeks he has been completely isolated with daughter who just died. Incidently he holds strong views on possible CFM meeting being snare and delusion unless first article on agenda is proposal for free elections in both parts Germany under UN supervision which he thinks will be unacceptable to Russia. If so, is opposed to any meeting. [2]

BRUCE

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[1] Presumably a reference to telegram 3922 from Paris, *supra*.

[2] For documentation on the Four-Power Exploratory Talks in Paris (Conference Palais Marble Rose), see vol. III, Part 1, pp. 1086 ff.

No. 141

751.13/1-1051: Telegram

The Secretary of State to the Embassy in France [1]

TOP SECRET WASHINGTON, January 11, 1951—9 p.m.

3666. For Amb. Reurtels 3922, [2] and 3925, [3] Jan. 10. As you have pointed out Pleven's visit even tho brief and *pro forma* wld at this time be most inconvenient and I do not see how we cld give him satisfaction on most of the questions he wld like to raise, particularly on IC which is now being studied by the JCS and NSC and on which I doubt a decision will be reached for several weeks. Nevertheless I concur with the excellent reasons you have set forth for such a visit and if Pleven definitely indicates he attaches real importance to such an invitation you shld indicate that you wld be glad to raise it with your govt and that you believe a favorable reply will be forthcoming. You might, however, point out to him that visit wld have to be brief and that if it were to occur shortly after Jan. 17 it is doubtful that important decisions re IC will have been reached by that time.

FYI this has been cleared with Pres who will extend invitation for *pro forma* two day visit if Pleven requests it. [4]

ACHESON

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[1] Drafted by G. McMurtrie Godley of the Office of Western European Affairs and cleared with Byington, Bonbright, and Perkins.

[2] Document 139.

[3] *Supra.*

[4] A penciled notation at the bottom of the source text read as follows: "Cleared by Secretary with President 1-11-51 Per EUR/Mr. Godley." According to a memorandum of conversation with the President, January 11, "The President said that if, in our judgment, it would be useful in strengthening Mr. Pleven's position to have him come to the United States, we could go forward with that." (Secretary's Memoranda of Conversation, lot 65D238, January 1951)

No. 142

751.13/1-1351: Telegram

The Ambassador in France (Bruce) to the Secretary of State

TOP SECRET NIACT PARIS, January 13, 1951—2 p.m.

4032. Eyes only Secretary from Bruce. Deptel 3666, January 11. [1] Pleven indicated today he attaches great importance to invitation and would like go Washington. He realizes visit will be essentially

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[1] *Supra.*

informal, is also aware that important decisions re Indochina will not have been reached by our government. Nevertheless would like to present French point of view re Indochina military campaign to President and yourself and if you think wise to General Marshall. If Chinese Communists intervene there with own troops French would be forced evacuate north and try to stabilize a line in south. Thereafter advisability and practicability of an evacuation would have to be decided but there must be advanced planning and mapping out alternatives this regard.

I think on balance Pleven should come for two day visit. I am personally satisfied that the spirit in France to resist aggression has substantially improved recently and that Pleven remains and will continue fully determined to effect a real French rearmament. An exposure at this time to our thinking in Washington would, I am convinced, assist him materially in the implementation by the Cabinet and Parliament of the necessary measures of common NATO concern.

As to dates he could come at any time between January 19 and end of month. Nehru will be here on 18th and Schuman and himself are meeting De Gasperi about the 31st. [2] An early response would be appreciated.

BRUCE

[2] Regarding the talks between Pleven and Italian Prime Minister Alcide de Gasperi at Santa Margherita in mid-February 1951, see Documents 254 and 261.

No. 143

751.13/1-1351: Telegram

The Secretary of State to the Embassy in France [1]

TOP SECRET WASHINGTON, January 15, 1951—7 p.m.

3732. For Amb. ReEmbtel 4032 Jan 13 [2] Pres today approved ur extending invitation to Pleven Jan 29–30 informal visit Wash.

Regret inability offer choice dates but Jan 29–30 are only days within suggestion last para reftel and after Eisenhower has reported. [3]

If convenient to you it wld be helpful to us if you could be here for visit.

[1] Drafted by Godley and cleared with Lacy, Director of the Office of Philippine and Southeast Asian Affairs.

[2] *Supra.*

[3] For documentation on Eisenhower's tour of various NATO capitals in January 1951, see vol. III, Part 1, pp. 392 ff.

Wld appreciate further detailed info on subjects Pleven desires discuss. Submit any items you believe Pres or Sec shld raise that are not on Pleven's list. Who will accompany him.

View press speculation hope visit will not leak pending issuance coordinated Wash–Paris communiqué which shld be done soonest. Therefore suggest you consult Pleven and submit to Dept brief draft statement to effect that as PM has indicated desire to discuss with Pres mutual problems Pres has invited Pleven visit Wash Jan 29–30, [4] etc.

ACHESON

[4] In telegram 4083 from Paris, January 16, Ambassador Bruce reported that Pleven had accepted "with great pleasure" the invitation to visit Washington between January 29 and 30 and that detailed information on subjects he wished to discuss with the President and other American officials would be sent to Washington as soon as possible. (751.13/1–1651)

No. 144

Editorial Note

On January 19, Jean Daridan, Chargé d'Affaires of the French Embassy, called at the Department of State and left an *aide-mémoire* regarding the subjects which Prime Minister Pleven wished to discuss with President Truman. The subjects included Far Eastern matters in general and Indochina in particular, French policy with respect to European unity and Atlantic defense, the German problem and preparations for the Four-Power talks at the Palais Marble Rose in Paris, and the French economic and financial situation resulting from the rearmament effort and the development of inter-Atlantic cooperation to combat inflation. (Memorandum of conversation by Bonbright, with attachment, January 19, Jessup files, lot 53D211, Truman–Pleven Talks) Although Daridan promised Department of State officials that the agenda proposals would be broken down into greater detail "within the next 36 hours," no further documents relating to the Truman–Pleven agenda have been found in Department of State files.

No. 145

751.13/1-2351: Telegram

The Ambassador in France (Bruce) to the Secretary of State

SECRET NIACT PARIS, January 23, 1951—7 p.m.

4289. Deptel 3842. [1] I had dinner last night with Pleven. Monnet and Alphand were there. After dinner, Henri Bonnet came in. We discussed agenda in some detail. Pleven's general intention is to talk frankly to President Truman, sketching out broad outlines of what seem to him to be part France can probably play in international affairs and views of French Government on salient features of international politics. Following gives substance his remarks in paragraph numbered to correspond to revised agenda cabled by Foreign Office to French Embassy Washington January 22. [2]

1. He intends to deal with situation in Indochina which depends, in his opinion, as regards Chinese Communist intentions, great deal on US policy on Korea—whether we intend to hold there as long as possible, whether we meditate an early withdrawal, etc. In relation to US aid to Indochina he would like again to call attention of US Government to usefulness of an aircraft carrier which has already been rejected. He would also like to explain that French Government firmly believes in creation of large Vietnamese Army—to this end it has stretched its budget as far as possible in order to support such force and has asked Bao Dai to use indigenous revenues for same purpose. He does not intend to make plea to US for additional funds in this regard.

Pleven says unless Chinese Communists intervene, he believes French and Vietnamese can stabilize military situation there. If Communists do come in, he says French had no idea whatever of letting them do so without fight. He does, however, wish to call to attention of our statesmen fact that if French Union troops should eventually be forced out of country, they cannot evacuate unless they have some shipping support from Americans and possibly British. In regard to arms for Indochina, prime need is still for aircraft.

2. He will very briefly mention present status of Schuman Plan for steel and coal and plan for European Army.

3. Brief statement explanatory of French stand re Four-Power conference.

4. He is very anxious indeed to have, within security limits, President's views on what American intentions would be in event march by Russians through Germany and France. He would like to be informed whether in event we declared war on Russia, we would

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[1] Telegram 3842 dealt with the composition of and tentative scheduling arrangements for the Pleven entourage. (751.13/1-2151)

[2] No copy of the revised French agenda has been found in Department of State files.

be in position to intervene rapidly and massively and drop atomic and other bombs on centers of Russian industrial production.

As to American aid to France in end items and money he does not contemplate asking for any additional sums, but would rather like to sketch out what French plans are in utilization of credits and supplies available from US and to be furnished domestically. Re strengthening of military, economic and political leadership of Atlantic Pact, Pleven would like to stress point that France should be included as full partner with US and UK in any important decisions or deliberations. Conduct of last war, he recognizes, was largely determined by Roosevelt and Churchill. He hopes now France will be made equal partner with other two powers. If occasion for grave decisions arises, he trusts President Truman will call Prime Ministers of Britain and France into conference in order to facilitate formation of common front.

As to organization of Atlantic Command, he recognizes this is largely military question and expects to inform President very briefly of French view on it in light of French political necessities. General Eisenhower is already familiar with this and General Juin can discuss it with Secretary Marshall.

5. French give great importance to various methods considered to combat inflation. Most important is that of trying to control purchase and allocation of raw materials. France, unlike US and UK, produces very few of raw materials entering into international trade. She is heavy purchaser of cotton, wool, petroleum, non-ferrous metals etc. He realizes committees have been set up for this purpose, but hopes their operations may be accelerated.

Additional items: He will restate to President present status of French military and rearmament programs. If President brings it up, he will discuss internal Communist problem in France and measures which have been taken or which are contemplated to combat it. If President does not interest himself in this, he expects he will be asked this question at National Press Club luncheon and will answer it there. He will also be prepared if asked to discuss question of bringing about social reforms in France. Otherwise, he expects to be asked this question also at Press Club meeting.

Pleven does not expect to make any requests for additional aid from US. He would like to have opportunity to explain what France intends to do as NATO partner. He would also particularly like to develop French Government theory as to bringing about greater integration in Europe economically, militarily and politically as contribution to defense and also to achievement of European strength in future.

I gather impression above all, that Pleven welcomes this opportunity to try to convince President Truman, Secretary Acheson and other American officials that he is typical decent Frenchman, determined to resist aggression and to have his nation play its full part in measures calculated to resist aggression successfully.

BRUCE

No. 146

751.13/1-2451

Ambassador at Large Philip C. Jessup to the Secretary of Defense (Marshall) [1]

SECRET [WASHINGTON,] January 24, 1951.

MY DEAR GENERAL MARSHALL: Ever since Prime Minister Attlee visited Washington in December [2] Prime Minister Pleven has wanted to meet with the President and other prominent American officials. The principal reason for this desire is prestige—both personal and national—to show to the French people that he, Pleven, is a leader capable of forcibly representing his nation and to show to the world that France has again assumed her pre-war position among the great powers. Criticism from de Gaullist quarters of Pleven's failure to join the President and Mr. Attlee in Washington served to increase this desire.

In addition to the foregoing Mr. Pleven is genuinely concerned over Far Eastern questions. As you know, ever since 1946 France has been involved in costly military operations in Indochina. Just when the political problems in that area seemed to have been settled and there was some hope for the end of military operations, French Union forces found themselves faced with the serious possibility of overt Chinese participation. Under present circumstances such aggression would undoubtedly force the French to evacuate the area and Mr. Pleven accordingly desires to examine with the President, you and Secretary Acheson the Far Eastern problems and to discuss possible developments in that area.

A third and nearly as important a reason for his visit at this time is the fear of war in Europe that is shared by most Western European peoples. In this connection we have reason to believe that Mr. Pleven desires to obtain at first hand and from our highest authorities an indication of our intentions in Western Europe and our estimate of the present situation. He further hopes that he can persuade the President and prominent American statesmen that France is willing and able to discharge her responsibilities in Western European defense, thus counteracting the impression that France is an impotent ally.

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[1] Drafted by Godley and cleared with Bonbright. A penciled notation on the file copy reads: "Delivered to Col. Hartshorn for Secretary of Defense. GMG 1/25/51."

[2] Reference is to the visit to Washington of British Prime Minister Clement Attlee December 4–8, 1950. For the minutes of the Truman-Attlee meetings, see *Foreign Relations*, 1950, vol. III, pp. 1698 ff.

The Department of State recommended to the President that he extend an invitation to Mr. Pleven to visit Washington for the following reasons:

First and most important, it was our desire to assist the French Prime Minister in his efforts to combat the psychological depression that exists in France by strengthening the French morale and the will to resist aggression. It was believed that the psychological effect of General Eisenhower's visit might be vitiated were we to indicate that it was not opportune for Prime Minister Pleven to visit Washington.

The second reason for inviting Prime Minister Pleven to Washington was that it would afford an opportunity for a profitable exchange of views between French and American leaders during which we could again impress on Mr. Pleven the need for greater French contribution to the mutual defense effort.

In view of the foregoing the Department of State is recommending that in general the American tactics in the forthcoming talks be one of listening to the French position, commenting thereon as fully as possible, and, in the case of specific proposals to which an affirmative or definite answer cannot be given, putting forward in the greatest possible detail the reasons for our position.

The foregoing should not, however, preclude the Departments of State and Defense raising with the French Prime Minister any subjects on which they believe profitable discussions might be had. In general, however, it is believed that detailed or technical subjects which can be discussed elsewhere should not be raised by the President.

Sincerely yours,

PHILIP C. JESSUP

No. 147

611.51/1-2551

Memorandum by the Ambassador at Large (Jessup) to the Secretary of State

SECRET [WASHINGTON,] January 25, 1951.

Subject: Appearance before Foreign Relations and Foreign Affairs Committees on January 26th [1]

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[1] For text of Secretary Acheson's statement on the talks with Pleven, see United States Senate, *Executive Sessions of the Foreign Relations Committee, (Historical Series)*, vol. III, Part 1, Washington, 1976, pp. 11-16.

The purpose of this appearance before the two committees is primarily to inform them concerning the President's talks with Mr. Pleven. There was some Congressional criticism at the time of the Attlee Talks that the Congress had not been consulted. This will be your first meeting with the committees as reconstituted and there may be an effort to have you discuss a large variety of problems. However, the meetings are being set up to last only an hour, and it is recommended that you make it clear that this particular visit to the committees is confined to an explanation of the Pleven Talks.

It appears that there is a good deal of misunderstanding about all types of international discussions and negotiations. It would therefore be useful if you would try to give the committees an understanding of the nature of these talks and their relation to a possible meeting of the Council of Foreign Ministers.[2] You might point out that this meeting is not arranged for the purpose of concluding formal agreements between the Governments of France and the United States. It has been found useful over a period of time to have personal exchanges of views between the heads of governments in order to establish firm bases of understanding so as to assure common approaches to problems in which our interests are fundamentally identical. The talks with Mr. Attlee served this purpose, and it is expected that the talks with Mr. Pleven will be similarly profitable. You might point out that, if the Soviet Government accepts the position taken in our last note regarding a possible meeting of the CFM, it will be of primary importance that the Governments of the United States, United Kingdom and France present a united front since one of the obvious Soviet objectives is to split us. It is expected therefore that the President and Mr. Pleven will exchange views on the attitude which the three Western Governments should take in any such meeting. You might go on to say that this does not involve the adoption of any new policies on our part but merely the reaffirmation of the principles which have been worked out with the NATO countries for the strengthening of defense in the West. Particularly, this involves the question of German participation in that defense. The official position of the French Government is the same as ours but we realize that there are pressures exerted on the French Government to adopt some modifications in existing principles on the theory that this might affect Soviet actions to our advantage. We hope that the talks between the President and Mr. Pleven will reaffirm the unity of the Franco-American position.

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[2] Reference is to the Four-Power Exploratory Talks in Paris (Conference Palais Marble Rose).

In view of the fact that what you say to the committees is likely to get into the press, it is recommended that you avoid comments which might be reported as indicating that we feel that the French are "soft." Therefore, while referring to the pressures exerted by some angles of French opinion, it might be useful to point out to the committees the strong and successful action taken by the French Government in preventing the communist demonstration against General Eisenhower. You could also mention that in their note of January 5th to the Soviet Union objecting to the Soviet protest about the North Atlantic Treaty, the French took a very strong and positive line. [3]

You could further indicate that we believe that Mr. Pleven will want to talk about the Schuman Plan and the Pleven Plan. You could indicate to them on these points the attitude we have taken regarding both of these plans. You might want to mention particularly the line developed in your letter to Mr. Schuman in which you indicate our support for the general principle of further European integration and our sympathetic attitude toward the French attempts to develop this. [4] You could point out that at the same time we have steadily pressed the position that the plan for a European army must not interfere with the development of the NATO program. As a matter of information, you could indicate to them the present status of the Schuman Plan negotiations as summarized in the attached briefing paper prepared for the Truman-Pleven Talks (Tab A [5]). You could then say that we suppose that Mr. Pleven will raise with the President their interest in the raw material problem. It would be possible to recall the discussion of this in the Truman-Attlee Talks and to refer to the present status of the matter as summarized in the attached paper (Tab B [5]).

You might indicate that, while the program of American financial aid to France may come up in the Talks, it is not contemplated that the French will request additional assistance although there may be some technical questions in regard to the program which they may want to raise. We do not intend to take on any new types of governmental commitments in this connection.

You might then point out that Mr. Pleven has indicated that he wants to discuss the situation in Indochina and in this connection will undoubtedly want to discuss it in terms of the whole problem

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[3] For summary of the French note of January 5, 1951, replying to a Soviet note of December 15, 1950, addressed to both London and Paris, see Royal Institute of International Affairs, *Chronology of International Events and Documents*, vol. VII, pp. 56–57.

[4] For text of the letter of January 27 under reference here, see vol. III, Part 1, p. 759.

[5] Not printed, but see the editorial note, *infra*.

of Chinese communist aggression. [6] You could point out that we have a large program of MDAP assistance to France and the Associated States in Indochina but that we will continue to make it clear that we do not intend to commit American armed forces to Indochina. The pertinent facts in regard to our aid program in Indochina are contained in the document in Tab C.

In regard to Korea you might indicate that the President will probably want to point out to Mr. Pleven as he did to Mr. Attlee our determination to maintain our stand in Korea. You might tell them that General Collins reported very favorably on the operations of the French forces in the Unified Command in Korea and draw attention to the fact that even this token French force there is notable in view of their very large commitment of forces in Indochina. You could also point out that the French have been supporting us in the UN on the question of the branding of the Chinese communists as aggressors.

PHILIP C. JESSUP

[6] The source text has a handwritten notation at this point which reads "Tab C." Tab C, one of the preparatory talks on Indochina, is not printed, but see the editorial note, *infra*.

No. 148

Editorial Note

In preparation for the Pleven visit the Department of State drafted six sets of negotiating papers, designated "Pleven D," covering not only those topics on the formal agenda but also those which might emerge in the course of discussion. Each document in a series was drafted in the responsible office and cleared within the Department. In addition, the Department drafted for the President's personal guidance, a detailed paper for each of the three formal meetings entitled "Suggested Procedure," which was given no designation, dealing with the ways in which the conversations should be guided from the American side and what response(s) should be given to each possible French query, comment, or response.

The first set of negotiating papers, entitled "D-1," dealt with the following topics: the fate of Indochina and Southeast Asia, United States intentions in Korea, and China. The second set, entitled "D-2," included papers on integrated forces and the proposed European Army and the Schuman Plan. The third set, entitled "D-3," included papers on the establishment of military operating rights and facilities in France and French North Africa, present means of

the Western Powers to deter aggression in Europe, the size and increase of United States forces in Europe, and strengthening of the political, military, and economic leadership of NATO. The fourth set, entitled "D–4," included papers dealing with probable Soviet intentions toward Germany and the consequent reaction of the Western Powers, Western objectives in the proposed Four-Power conference, and questions to be examined quadrilaterally outside the German question. The fifth set, entitled "D–5," dealt with United States aid to France and problems of the Three-Power Commodity Group dealing in raw materials. The sixth set, entitled "D–6," dealt with atomic energy; the political situation in France; negotiation of a treaty of friendship, commerce, and navigation between France and the United States; Western policy toward Yugoslavia; release of counterpart funds in France; and French attitudes toward tariff reductions.

A nearly complete set of these papers can be reconstructed from two sources: the ISA/MDAP files, lot 52–26, Pleven visit, contain set 1 and sets 3–6 of the negotiating papers, while copies of the "Suggested Procedures" papers and set 2 of the negotiating papers are in CFM files, lot M–88, Pleven visit.

No. 149

CFM files, lot M–88, Pleven visit

United States Minutes of the First Meeting Between President Truman and Prime Minister Pleven, Cabinet Room of the White House, January 29, 1951, 2:30–5 p.m.

TOP SECRET
US MIN–1

U.S.-FRENCH WASHINGTON CONVERSATIONS

PARTICIPANTS

United States	*France*
The President	Prime Minister Pleven
Secretary of State Acheson	General of the Armies Juin
Secretary of Defense Marshall	Ambassador Henri Bonnet
General Omar Bradley	Ambassador Alexandre Parodi
Mr. W. Averell Harriman	Ambassador Herve Alphand
Ambassador Philip C. Jessup	Inspector Gen. Tezenas de Montcel
Ambassador David K. E. Bruce	Colonel Allard
Assistant Sec. of State Rusk	M. Jean Daridan

Mr. Thomas D. Cabot
Minister Donald R. Heath
Minister Charles E. Bohlen
Mr. James C. H. Bonbright
M. de Marranches

[Here follows a short table of contents which lists: Far Eastern Questions and Communiqué.]

The President opened the meeting by welcoming the Prime Minister to the United States. He said that he was delighted that Mr. Pleven had come to visit us, particularly since the Prime Minister had lived for a time in Kansas City.

The President said that the first order of business would be the appointment of a group to draft the communiqués for the discussions. He suggested that the Prime Minister name a member of his group to work with Mr. Bohlen and Mr. Short who would represent the United States. Prime Minister Pleven named Mr. Parodi and Mr. Alphand as the French representatives.

The President suggested that it would be helpful to appoint an Economic Subcommittee which would report back to this group Tuesday afternoon. He said that Willard Thorp, Assistant Secretary of State, who had already called together a working group of American officials, would be the American representative on the subcommittee. The Prime Minister named Guindey and Alphand for the French side.

The President then said that the question for discussion this afternoon was our common policy in the Far East, and he asked whether the Prime Minister desired to speak on this subject.

Prime Minister Pleven expressed his appreciation of the welcome he had received in Washington and thanked the President for his kindness in agreeing to talk with him. He said that both chambers of his legislature had passed motions urging him to get in closer touch with the allies of France, especially the United States, for the purpose of arriving at a common policy on Asiatic questions.

The Prime Minister then reviewed briefly recent French history in Indochina. He said that the French had been there for 100 years but that during the past five years they had been having a very difficult time. He pointed out that the French had adopted a policy of complete emancipation of the three Indochinese countries and that this policy had been adopted without any mental reservations. They had been transferring power to local Indochinese authorities as fast as they could. This transfer could have been accomplished peacefully had it not been for the communist-directed revolutionary movement which had been fighting the French since 1946. He made it clear that this war was inspired by the men who now rule China and Russia. He stressed the fact that the financial cost of

this war was great and was constantly increasing. There were 162,000 soldiers in regular formations fighting in Indochina. Of this number, 60,000 men were from France and the balance largely from North Africa and Indochina. He stressed the high casualty rate in this fighting, citing as an example the recent loss of 8,000 men and officers. He pointed out that the war in Indochina was a real war against communist forces supplied with arms by China rather than military action against guerrillas. France had put at the service of the United Command in Korea fewer troops than it would have liked to have sent there because it was so heavily committed in Indochina.

President Truman interrupted to say that he understood the French position in this matter and appreciated what the French have done in providing forces for Korea.

Prime Minister Pleven said he would like to present information about present conditions in China which had been obtained from fully reliable French citizens recently expelled from China after long residence there. These reports indicated: (1) China has given up its initial goal of concentrating on the economic improvement of the country and is now devoting its energies to building up its military forces; (2) the Communists have been successful in concentrating all power into their hands; (3) the Communists have successfully captured the Nationalist movement in China; (4) guerrilla groups, whether loyal to Chiang Kai-shek or not, are not an effective military force and could not be so used; (5) the prestige of Chiang is completely gone; (6) the Chinese Communists are acting in accordance with advice given them by the USSR; (7) the military strength of Communist China is generally over-rated since there is relatively little economic power behind it; (8) no Chinese troops, including volunteers, are being sent to Indochina. Chinese help is limited to the supplying of arms and the training of Indochinese troops in China.

The Prime Minister said that the situation in Indochina could remain as it is, could be completely altered by the direct intervention of Chinese Communist troops, or could lead to some peaceful solution if the Chinese Communists so desired.

In regard to the first hypothesis, he said that the present situation was an improvement over that of a few months ago. He cited both moral and physical successes and noted that losses in men were large and were very difficult to replace. One way to do this would be to send more troops from France, more equipment, especially planes and to create additional Vietnamese troops. As regards arms, he said that French supplies were inadequate to meet either the needs of French troops in Indochina or the needs of the Vietnamese troops. The financial cost was very heavy and one-

third of the present French military budget is now spent in the effort in Indochina. He said that France will be unable to pay for the maintenance of the Vietnamese troops. The question arises, he continued, as to whether additional troops should be sent from metropolitan France if, in five or six months from now, the French position in Indochina would still be about the same. The alternative would be to use these forces and funds to build up the French military position at home.

In regard to the second hypothesis, the Prime Minister said that there was a possibility of full scale Chinese intervention in Indochina involving Chinese divisions either from Korea or elsewhere. If this happened, the French would not have time to reinforce troops now in Indochina. In addition, even if this were possible, it would mean reducing French forces in Europe which would be a serious disadvantage. If withdrawal becomes necessary he asked the President what help the United States could give the French.

In regard to the third hypothesis, he said that the Chinese Communists could conceivably support a peaceful settlement or at least permit the situation in Indochina to calm down. In this connection, Korea and Indochina should not be considered separately but as a whole. The two questions were inseparable.

The Prime Minister said that the French did not want to settle the questions which he had discussed in his presentation without talking about them to the President. The French believe the US, UK and France should stand together and should make decisions covering the whole Pacific area rather than dealing with problems piece-meal as they arise. He proposed the creation of a consultative body which would act as an advisory group to the three governments on strategic, political and economic questions of the entire Asiatic area.

The President said that he would like to state the United States position regarding China. He said flatly that there was no present possibility of our recognizing the Peking regime whose officials had mistreated our representatives and confiscated our property in China. He added that we will continue to use every means at our command to keep the Peking regime from being seated in the United Nations as the representative of China. To do so would add only one more vote to the Russian bloc. He said that the United States will continue to urge the United Nations General Assembly to find that Communist China is engaged in aggression and that we will seek appropriate economic and perhaps political sanctions against it. He cited the resolutions approved by both the Senate and the House and referred to his press conference statement as indicating our firm policy on this question. He said that we cannot afford to allow a hostile power to hold Formosa. Since Formosa is

the left flank of our Korean position, we are now insuring its military neutralization and will try to keep it out of Communist hands by providing military assistance to the Chinese Nationalists and continuing to have available United States air and naval forces for the defense of Formosa. The President said he had made this position clear to Mr. Attlee.

Secretary Acheson, at the request of the President, explained the basis for our position on China. He pointed out that the attack in Korea in June was aimed at shaking the confidence which was returning to the Far East. Prior to this attack progress was being made in Japan, South Korea was getting along towards stability, the French were making progress in Indochina and the situations in the Philippines, Southeast Asia, as well as Indonesia, were improving. The second aim of this attack was to shake confidence in the whole principle of collective security in the hope that the lack of confidence would affect the attempts in Europe to organize collective security.

The Secretary said that Chinese Communist intervention in Korea was aimed at preventing the success of the United Nations forces which were in a position to bring order to the largest part of that country. The President had decided to make this Chinese intervention as difficult as possible for the aggressors. He noted that the military operations in Korea are nothing that we or anyone else would seek but on the other hand we had no intention of being intimidated. We should not waiver nor be thrown off our course by proposals which Nehru has put up. We believe that if the only action which the United Nations could take was a face-saving device, then the position of the free world in Asia, especially in Japan, would be completely undermined. He said that several of the states in Asia would doubt the wisdom of throwing in their lot with us. The effect would be to lead these Asian states to arrange the quickest deal they could with the Communists. We must not sell out our entire position in Asia solely to end the fighting there. Our policy, he added, was to obtain a cease-fire, get the Communists out of the larger part of Korea and organize a state in the area which we control.

The President said that we are fully aware of the danger of permitting our entire military strength to be committed in Asia and that we do not intend to do this. He said we will continue to seek to confine hostilities to Korea but we do not feel we should run out and leave our allies and 200,000 loyal Koreans to be slaughtered.

General Bradley, on the invitation of the President, summarized the military situation in Korea. He briefly reviewed the military history since our forces landed in Korea citing the delayed action, the bridgehead, the break out by amphibious operations, the push

north to the border, Chinese Communist intervention, the new line at the 38th parallel in December. He noted that one month elapsed before the Chinese attacked the 38th parallel line. He referred to the recent fall back to the second line which is below Seoul and indicated that this line prevented further attack on the west but did not completely stop infiltration in the mountainous area in the center. He said there were 467,000 Chinese and North Korean troops in identified units in Korea plus 625,000 Chinese troops just across the border. Current operations included an attack in the Seoul area against stiffening resistance. He pointed out that the air force was working closely with the ground troops and inflicting very severe casualties on the Communist forces. He noted that the Communists have not attacked for over three weeks and attributed the slowness to follow up to: (1) weather—very cold and heavy snow; (2) supply difficulties—all bridges knocked out and kept by the Air Force in unusable condition plus length of supply line, 300 miles to Manchurian border; (3) severe losses from first team troops; and (4) disease, even typhus. He said that the hesitation of the Communists to advance was due, in his opinion, to military considerations rather than political considerations.

The President said that we were attempting to avoid bringing on World War III by seeking to confine the fighting to Korea but that if the Soviets threw in their air force against our troops we feel we are free to act as we see fit to meet this threat. We have no intention of allowing our troops to be slaughtered by Communist bandits who are engaged in an unlawful war. The President added that we all appreciated the help of the valiant French troops fighting in Korea, especially at a time when France is so heavily engaged in Indochina.

Prime Minister Pleven said that the forces were small but they had good hearts.

The President said that was true but their presence made the force a United Nations force.

Secretary Marshall, at the invitation of the President, continued the discussion of our policy in Korea. He said that the United Nations military action had a great moral value but that it was an inconvenience to us insofar as it affected other things which we felt should be done. He explained by citing the Korean fighting as the reason why we could not build up our strength in Japan as we should do. This military weakness in Japan would be very dangerous if the USSR started a general war. He said that the morale of the United Nations forces in Korea had improved greatly and the Communists were suffering terrible losses. He described the current reconnaissances in force as an attempt to find out what is in front of us in Korea. In addition, for morale reasons our troops

must not remain idle. The present line in the west was chosen because of the many rice paddies now frozen which make it ideal tank and artillery country. He believed that the current Chinese Communist political actions arise out of our recent success on the battlefield in Korea. He noted that the South Koreans fight well but fight better against North Koreans than against Chinese troops.

Prime Minister Pleven expressed his appreciation for the military facts which had been presented. He said that sometimes policy was based on inadequate information and he thanked General Bradley for providing him with the Korean situation report. (The Prime Minister translated into French the highlights of this summary for the benefit of General Juin whose understanding of English is limited.)

The Prime Minister pointed out that there was a parallel between Korea and Indochina. The French did not wish to abandon the Indochinese just as we did not wish to abandon the Koreans. He noted that the Vietnamese troops fight ably and well against the Viet Minh troops.

The Prime Minister said that France did not reach a conclusion on Chinese Communist intentions as quickly as we did. However, he now had no doubt that the resolution we are supporting in the United Nations is the right thing to do because of its affect on the morale as well as the physical situation throughout Asia. He said that like the United States, France did not want to stretch its forces so thin as to create a danger to the military situation in Europe. The only chance to defeat the Viet Minh is to build up active Indochinese forces.

The Prime Minister said that the French had received from the United States sufficient equipment for twelve Vietnamese battalions. However, thirty-three battalions have been recruited and there are no arms for these additional men. He pointed out that the new spirit in Indochina had resulted in many recruits of a type which could be trained as officers and that the French did not want to lose the impetus because of lack of equipment. The Prime Minister then asked when it would be possible to deliver arms for these soldiers and requested additional funds to pay for their equipment and maintenance.

The President said that in the fiscal year 1950–51 the United States had already approved a large military assistance program for Indochina. He said that our present planning is to continue this assistance and we envisage delivery in the future of larger quantities than we have so far delivered.

Mr. Cabot discussed the status of the arms assistance program and elaborated on the equipment which we have on order for delivery to Indochina.

Assistant Secretary Rusk, after pointing out that there would be a meeting of United States and French staff members on this question, said that we had three aims to achieve in the current military assistance program. One was to provide the material which would be needed to make successful the battle for Tonkin. The second would be to make possible the early replacement of Vietnam manpower. The third would be equipment necessary for an enlarged national Vietnamese army.

Minister Heath reminded Mr. Pleven that the French last October [1] had not requested the United States to provide arms for native troops but that their new request included such assistance.

The Prime Minister said that they wanted as quickly as possible four divisions of local troops. The French had funds to equip 27 battalions but the speed of arming these battalions was so important that this program must be achieved even faster. He said that better air support for the troops in Indochina was necessary. He asked whether we could consider again the loan to the French of a United States aircraft carrier.

General Marshall replied that the United States Navy was very reluctant to release an aircraft carrier since it needed everything we have to carry out its task in Korea. In addition, General Marshall said that to provide an aircraft carrier to the French his Department would have to ask the permission of Congress and he did not know how this request would be received. The situation was not bright but his officers were looking into this request again with the view to trying to work out something.

General Marshall apologized for the delay in getting to Indochina the transport planes which we had promised to the French. He said their arrival was delayed solely because of transportation difficulties. He indicated that there was no prospect of our sending additional transport planes at the moment but that we were still looking at the whole problem of strengthening the entire position in Indochina. He said he was aware of the situation in Hanoi and was sympathetic to the field commanders who were so concerned at the length of time which elapsed between a decision here and the arrival of the supplies in the field.

Prime Minister Pleven asked whether the French had a good chance of getting equipment for the four Vietnamese divisions.

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[1] For documentation on the U.S.-French Ministerial talks held in Washington, October 1950, see *Foreign Relations*, 1950, vol. III, pp. 1398 ff.

Assistant Secretary Rusk said that to provide equipment for all of these divisions might require additional funds from Congress; further, that certain items might be physically unavailable. We would try to get a precise answer as soon as possible.

Prime Minister Pleven said that he was making this request because the French must be certain about their source of supplies for the next year or two or else they might be obligated to alter their present strategy.

The President said that Secretary Marshall would look into this situation and we will resurvey our program of arms assistance to see if the French request can be met.

Secretary Acheson asked whether the French would provide specific figures for discussion at the staff meeting on arms assistance tomorrow.

Secretary Marshall asked whether the French could use more profitably the aircraft carrier they now had if we lessened the restrictions which we had placed on its use. (This carrier originally limited to use in protection of lines of communication between Southern France and North Africa.) He indicated our willingness to do so. The Prime Minister said he would obtain the information to answer this question.

Prime Minister Pleven returned to his proposal to create a high level consultative body to advise on over-all strategy in Asia. He said that the United Kingdom High Commissioner MacDonald believed that if the French were pushed out of Tonkin the affect in Malaya and Indonesia would be very serious. It was necessary for the United States, United Kingdom and France to have this consultative body in order to facilitate coordinated action in the area.

The President said that we would consult on any subject that would contribute to peace in that part of the world.

The Prime Minister said that he had discussed his idea with the British who indicated that they approved it.

The President said that Secretary Acheson would discuss this with the Prime Minister but that he saw no reason why it could not be done.

Secretary Acheson referred to the French request for tripartite military conversations but noted that Mr. Pleven's proposal was a new and broader one.

The President said that the Secretary of State and the Secretary of Defense would discuss this proposal with him and that he would talk about it again with Mr. Pleven.

The Prime Minister then asked what aid we could give the French if the Chinese Communists attacked and the French were forced to evacuate Indochina.

The President said that we would help all we could and that we would discuss this question further.

Secretary Marshall indicated that the question of our help in an emergency was under discussion with the French.

The Prime Minister then returned again to his proposal for a new consultative body. He said that in Europe we had the standing group, and NATO, as well as meetings of the three Foreign Ministers. He said that Asia was so important to all of us that we must follow a common policy and that we need the new organization in order to arrive at the best policy.

The President said that we would discuss this subject and give an answer to Mr. Pleven.

Communiqué

At the close of this meeting, the Honorable Joseph Short, Secretary to the President, gave the following statement to the White House Press and Radio News Conference:

"The President and the Prime Minister of France had a comprehensive exchange of views on the situation in the Far East, with particular reference to the problems of Korea and Indochina. This review revealed a fundamental identity of policy between the Governments of France and the United States. The President and Prime Minister Pleven will turn to European questions tomorrow."

No. 150

Conference files, lot 59D95, CF 51

Memorandum of Conversation, by the Assistant Chief of the Policy Reports Staff (Barnes)

TOP SECRET [WASHINGTON,] January 29, 1951.

Participants: The Secretary, Ambassador Jessup, Ambassador Bruce, Mr. Rusk, Mr. Bonbright, Mr. Heath, Mr. Battle, Mr. Barnes

The Secretary called the meeting after the first discussions with French Prime Minister Pleven to review the two special requests which had been made by the French: for approximately $70 million of additional economic aid for the Vietnamese armies and for high level US-UK-French consultations on Far Eastern economic, political and military questions.

Mr. Heath said the request for additional funds was based on valid figures in that the army would actually cost as much as Mr. Pleven had outlined in his presentation. He felt, however, that the request raised several additional questions, such as why we should

not give additional aid, if any, directly to Indochina, and whether there were not some questions connected with the original aid program which needed to be reviewed. Mr. Jessup said that this was a question which could be studied by E and FE. We had previously told the French that they would have to present an over-all program covering both the French and Vietnamese forces before we would be able to extend economic assistance.

The Secretary pointed out that we had also told them before that we would not finance their budget deficits. He was also uncertain in his own mind as to how dollars would assist the French in paying the local currency costs of the troops in Indochina. He also wondered why Indochina could not pay its own army—was it simply a question of their failing to collect taxes?

Mr. Heath said the real difficulty was that the Viet Minh forces were still astride the export routes from Indochina, which created a very difficult economic problem for the associated states. Mr. Rusk said this was all quite true but there was nothing we could say to the French at this time other than that we would study the problem urgently and let them have our views. He did not think we could put ourselves in a position of financing deficits, so there was little prospect of a favorable answer. There were other things we might be able to do, however, and he had called a meeting for later in the evening with representatives of E, S/ISA and Treasury.

The Secretary then turned to the question concerning the Joint Tripartite Council to study Far Eastern questions, pointing out that from a military standpoint the JCS would have nothing at all to do with this proposal.

Mr. Rusk said that he considered this a very bad proposal and one we could not possibly accept. In the first place, it involved consultation on Far Eastern questions of three colonial powers. Secondly, the establishment of such a mechanism would merely create antagonisms among other allied states who would wish to participate. Thirdly, we would become so involved in commitments of this type that we would no longer be in any position to take action. He felt that we could establish the type of consultation which the French wanted without creating any formal organization.

Mr. Heath said he thought the French would be quite satisfied to know, which they did not yet know, that we had approved tripartite military talks on Indochina. Ambassador Bruce said he disagreed with this. The real French problem was the desire to get themselves in a position of equality vis-à-vis the British. This was the real issue, and what they wanted was some concrete type of consultation which would convince them that they were being consulted as much as we consulted the British. He wondered if there was not some middle ground such as discussions at the Assistant

Secretary level or the creation of some type of Far Eastern High Commissioners.

Mr. Jessup said that any formalization of consultation would create difficulties since it would involve the problems of JCS clearance, etc. He thought that we should merely tell them about the proposed military talks and point out the number of other tripartite consultations which are held on a regular basis. Ambassador Bruce felt that perhaps we could promise to consult with the French on matters of concern through all proper channels, including in particular the UN. Mr. Rusk noted that we also had a high-level review of all current problems before the periodic meetings of the three Foreign Ministers and that this could be continued in the future. [1]

Ambassador Bruce said that he did not think these various requests constituted a serious problem. If the final communiqué was good from the French standpoint, Pleven's position would be satisfactory on his return to Paris, whether or not he got the $60 million and the tripartite consultation. The Secretary suggested that Mr. Bonbright might try to tie together in one batch all of the various types of consultation which we now have with the French, and which we would plan to continue having in the future, so that our rejection of their proposal would sound as satisfactory as possible.

[1] At his daily staff meeting on the morning of January 30, Acheson told his colleagues, including Matthews and Harriman, of "his conclusion that any kind of formal tripartite consultation on Far Eastern questions as requested by the French was quite impossible." (Secretary's Daily Meetings, lot 58D609, January 1951)

No. 151

Conference files, lot 59D95, CF 51

United States Minutes of the Second Meeting Between President Truman and Prime Minister Pleven, Cabinet Room of the White House, January 30, 1951, 11 a.m.–12:30 p.m.

TOP SECRET
US MIN-2

U.S.-French Washington Conversations

PARTICIPANTS

United States	*France*
The President	Prime Minister Pleven
Secretary of State Acheson	General of the Armies Juin
Secretary of Defense Marshall	Ambassador Henri Bonnet

General Omar Bradley
Mr. W. Averell Harriman
Ambassador Philip C. Jessup
Ambassador David K.E. Bruce
Mr. Thomas D. Cabot
Mr. Charles E. Bohlen
Mr. James C.H. Bonbright
Mr. Henry A. Byroade
Ambassador Alexandre Parodi
Ambassador Herve Alphand
M. Jean Daridan
M. Gontran de Juniac
M. de Marranches

[Here follows a short table of contents which lists: European Unity, European Defense, Four-Power Conference, and Communiqué.]

The President opened the meeting by asking Mr. Pleven whether he wished to begin the discussion of European questions.

Prime Minister Pleven said that he would first like to talk about the problem of European unity. He appreciated the opportunity of telling the President about the European policy of France so that there could be no misunderstanding about French aims in Europe. He also appreciated American understanding of French policy in regard to the contribution which Germany might make to the defense of Europe. He said that the only way to solve the German problem is to integrate Germany into Europe. This the French are seeking to do through their proposal for a European army within NATO and through the Schuman Plan.

President Truman said that he and all of the American people were very pleased with the initiative which the French took in proposing the Schuman Plan. He said that the American people were solidly behind the plan.

Prime Minister Pleven summarized the results of the latest meeting on the Schuman Plan, which he described as being successful. He added that he was more hopeful than ever that by the end of this week the Plan would be initialed by the negotiators. In his opinion the Germans are moving closer to acceptance of the Plan. He indicated that the French would insist on the anti-cartel provisions in their plan.

The Prime Minister described briefly the new French proposal which will cover European agricultural products. This plan will be worked out shortly, first with the Dutch.

The Prime Minister told the President that because of speculation which has been appearing in the press, he wanted to say that the French would stick to the Brussels plan providing for German participation in the defense of Europe. [1] The conference to negoti-

[1] For documentation on the Brussels meeting of December 1950, see *Foreign Relations*, 1950, vol. III, pp. 1 ff.

ate formation of a European army had been delayed only because of the very heavy workload which the French participants were carrying. He reported that the Germans have accepted enthusiastically the invitation to attend. Mr. Schuman will open the conference but Mr. Alphand will carry on from there. Mr. Pleven said that his Government wanted to push this matter to a successful conclusion.

President Truman said that he was very glad to hear this. He added that he was pleased to learn that the French Government would not permit private cartels to undermine the plan. He thought this was a good policy and referred to his investigation of cartel activities during the last war.

The President said that Mr. Pleven had answered all of his questions concerning the Schuman Plan and added his hope that the Plan would go forward rapidly.

The President told Mr. Pleven that he had named Ambassador Bruce as the United States observer at the Paris conference on the European army and thanked Mr. Pleven for requesting us to participate in the negotiations.

The Prime Minister said that there were several questions he wished to ask quite frankly so that the French could make certain important decisions involving future policy. He referred to the French rearmament program which was discussed with American officials here last October. This October 5 program was used by the United States as a basis for deciding what American financial assistance would be given to France. The Prime Minister emphasized that the volume of the French program of October 5 remained the same, although a certain reallocation of funds within the total agreed upon had been made. He referred to General Eisenhower's visit to Paris and reported that all details of the French program had been given to the General, who undoubtedly would make this information available to the President and other United States Government officials. The Prime Minister said he wished to state frankly and firmly that his Government would do everything possible to carry out the rearmament schedule according to plan. The French arms program had been approved by his legislature and he expressed the conviction that the forthcoming elections in early summer would result in a very large majority supporting the rearmament program.

The Prime Minister then referred to attempts of the Communists in France to upset the program. He stated that the French Communists had been unable to achieve their aims even though they resorted to strikes and sabotage. He assured the President that the French Government had the upper hand and that its campaign against the Communists has just begun.

The Prime Minister said there were two questions in the minds of every thoughtful Frenchman. The first was this: the ordinary Frenchman does not understand why the Russians, who are fully informed on the military build-up in the West, do not attack in Europe before this program is completed. Some people, not all Communists, make use of this question in propaganda attacks against the Government by accusing him of increasing the risk of a Soviet attack on France. In general the Government replies that the reason why the Russians do not attack before the military power balance is altered is because France is under the "atomic umbrella". The Prime Minister said that he had read in the newspaper that the predominance of United States atomic power over that of the Soviet Union is not as great as is generally believed. Speaking very frankly, the Prime Minister said he was asking for no secrets but did wish to know whether the United States' predominant position in the atomic field is being maintained.

The President said that our advance in the atomic field was phenomenal, and this applied to other fields as well.

Secretary Acheson, on the invitation of the President, discussed our views on the Soviet threat to the free world. He pointed out that it would be important for everyone present to be able to say that there had been no discussion of the atomic bomb so that in his statement he would not refer again to this specific question.

The Secretary said that we believed the first deterrent to aggression by the Soviet Union against Europe at this time is the terrific and immediate retaliatory power which is now in being in the United States. The second deterrent is the fact that our military potential is so immense that, because of this and other factors including our geographic position, the USSR knows it would be impossible to end successfully any war involving the United States. He pointed out that the forces which are now in existence in Europe are not a major military factor in the situation and are not at present a major deterrent but that these European forces will play a larger and larger role. He believed that in the near future the build-up in Europe would result in strength sufficient to make it impossible for the Russians to use for their purposes the satellite troops which they have armed in Europe.

The Secretary said that the present situation was unstable. He noted that the power relationship between the Soviet empire and the free world was so unsatisfactory that it had not been possible to keep the Russians from sponsoring aggression in Korea and he feared that unless this power relationship is greatly improved, the possibility of deterring general hostilities might disappear. In this connection, he cited the terrific defense program of the United States and pointed out that in fiscal year 1952 military expendi-

tures in the United States are budgeted at $60 billion. He expressed his hope that the present unsatisfactory power relationship would be vastly improved if our defense effort were accompanied by an equal military effort on the part of our allies. Such an effort in our opinion requires the early participation of German strength in Western Europe's defense. The Secretary concluded by referring again to our belief that what is holding the Russians back is their fear of failing to prevent a devastating attack immediately after they started general war and their fear of their ultimate failure in any such war.

General Marshall, at the request of the President, said that his answer to Mr. Pleven's question about provoking the Russians by building up our defenses was simple. It seemed to him that the alternatives were to submit to the Russians or to resist them. Since submission would be intolerable, we must build up our defenses as rapidly as we can rather than be paralyzed by the fear that anything we do would provoke the Russians. He said he agreed with Secretary Acheson that we do have coverage at the start of any hostilities but that we must proceed as rapidly as possible to create military strength in being if we are to achieve our purpose. The need for speed in the military build-up is obvious to everyone. He expressed his concern that this build-up not be superficial but solid. He also expressed his concern about the drain on training personnel needed in France which is occurring in Indochina. The United States is being very careful to make its build-up firm and solid with great emphasis on training personnel. The only course of action was that of just starting and going ahead as fast as possible. Referring to the length of service of our soldiers, General Marshall emphasized this factor in creating durability and continuity of armed forces. With the solid base in existence, a very rapid build-up could take place, especially if emphasis in the beginning had been placed on creating large immediately available trained reserves ready to fight without further training.

General Marshall said that we should create in NATO a simpler system of control. He added that a considerable amount of effort was lost in NATO because of the complicated machinery which now exists.

General Marshall explained that American policy was to create a productive capacity to turn out material so that in case of need a tremendous reserve power could be brought quickly to bear. The policy is to set up industry so that we get a normal amount of equipment needed for present plans but at the same time create a system which could quadruple production almost immediately if necessary. He noted that it was always the problem of immediate needs as opposed to long term needs.

General Marshall pointed out that the coordination of European military production is highly important and noted that the basis for such coordination is being created. He concluded that for the moment time is on our side but that this may not be the case in one and one-half to two years from now. During this period we must go forward with all possible speed to build up our defenses.

President Truman referred to a recent conference with Mr. Charles E. Wilson, Director of Defense Mobilization. He reported that Mr. Wilson was very optimistic about the production situation in the United States. He said that within a year our economy would have produced $50 billion in defense materials.

The Prime Minister referred to General Marshall's statement that time was on our side for the next two years and asked whether this was a reply to his question as to whether the United States has maintained its margin over the Soviet Union in the atomic field.

General Marshall replied in the affirmative. He added that as to the margin we have over the Soviets, his estimate was on the conservative side. He emphasized, however, that he did not mean to say that we are not working against time in our efforts to build up our defenses.

The Prime Minister said that the French policy was identical with General Marshall's views on building our defenses solidly. He noted again that the war in Indochina is a heavy drain on French professional soldiers who are the very best instructors. He cited this drain as an illustration of how French potentialities in Europe are being held down.

General Juin reaffirmed the Prime Minister's statements. He said that the drain in Indochina had been going on for five or six years and was so serious as to jeopardize French military power in Europe. He pointed out that because France must keep 160,000 of its soldiers in Indochina and provide replacements for these forces, French military units in Europe were continually being broken up. He recalled that the entire effort of the French army for several years has been aimed at solving the situation in Indochina, with the result that military forces in metropolitan France and even those French units in Germany have been seriously weakened.

President Truman noted that we are going through the same sort of thing in Korea.

General Juin stated that nearly one-half of each graduating class of officers at the French military school equivalent to West Point were lost each year in Indochina. He indicated that one serious problem in the past had been the short length of military service in France. This had been solved to a certain extent by lengthening the service from twelve to eighteen months. He expressed his hope

that the badly needed non-commissioned officers can be induced to return to the French army by providing them with better pay and other personnel improvements. He hoped to fill up his cadres in this way.

General Marshall asked the Prime Minister what political reaction there had been in France when the length of military service had been extended from twelve to eighteen months.

The Prime Minister replied that the reaction had been excellent. Only the Communists voted against the law lengthening military service from twelve to eighteen months. In addition to this improvement, he even got the legislature to approve the complete cancellation of all exemptions from military service. This meant that every French youth obtained military training, and he recalled, in this connection, that it was bad form in France for a young man not to have had his military service.

President Truman mentioned that General Marshall was interested in this question of length of service because he is up against the same problem in the current session of Congress.

The Prime Minister said that France took the changes very well and that Communist agitation against extending the term of service was pitifully unsuccessful. He added that General Juin had told him that the quality of young men now entering their military service in France is wonderful.

General Marshall said that without criticizing, he wished to make one comment. In the event that the Prime Minister was questioned at the National Press Club, where he was to speak today, about why the length of service was shorter in France than the length of service he was proposing for adoption by the United States, General Marshall asked that the Prime Minister not be drawn into a discussion of this difference but rather refer to the fact that the French rule on deferments is much more strict than ours.

General Marshall pointed out that the tradition of France is to maintain a large standing army. Because of this he hoped the French would not be misled into underestimating the cost and the time involved in a rapid build-up of trained forces. He recalled that the United States tradition is to start with nothing and end up with a huge army. This is an entirely different operation than that to which France is accustomed. To lengthen the term of service makes a tremendous improvement not only by reducing costs but also by greatly improving the power of the trained forces. He illustrated this point by saying that when we lose a soldier after 21 months training we lose a man at the moment when he is most useful. For this reason, he added, we are trying to increase the length of service to 27 months.

Prime Minister Pleven admitted that he could not commit any future French Government to present French policies, especially since he could not foresee beyond the forthcoming elections which may take place within the next six months, perhaps as soon as three months. But he did wish to make clear that political considerations did not influence the French Government to set the length of service at 18 months. This time limit had been set because the French did not have sufficient material or equipment for more soldiers. A further reason was that to hold in the army large numbers of men created a shortage of manpower needed in industry to produce civilian and military goods. He referred to the fact that soldiers for whom jobs are waiting will not accept idleness in military camps but want to work. He predicted that the length of service would probably be increased to 21 or 24 months. This increase would be required by the Medium Term Defense Plan which called upon France to have in 1953 a total of 900,000 men under arms. This army would have 100,000 more soldiers than the French had under arms in 1949. Part of the greater need for armed men is to be explained by the defense which must be prepared to resist attacks by paratroopers, but although the need could be explained, the total represented a very heavy burden for a country with a population of 42 million. Mr. Pleven concluded by saying that all of these problems had been put in General Juin's hands.

General Marshall said this statement was the greatest reassurance Mr. Pleven could give him.

Prime Minister Pleven then posed his second question. According to the Medium Term Defense Plan, France will bear the brunt of the first battle to take place in Europe. He said the French were concerned because they do not know what steps are being planned to fill the gap which will exist after the first encounter and during the first 90 days of war. He said France would throw in everything it had in these first 90 days and wanted to know what we were doing about providing replacements after this initial period.

General Bradley replied that we will send additional United States forces to Europe as fast as possible after war breaks out. The number which could be sent to Europe in the first 90 days would be limited by the logistical problems involved. He said the gap would have to be filled by sending in reserves from European countries plus those troops which we and Canada could send.

General Marshall pointed out that the situation at the time of the outbreak of war depended to a large extent on the premonition as to whether war was coming. The Western powers had to anticipate the outbreak of war without any warning whatsoever. He warned that the Soviets would seek to catch us as unsuspicious as they possibly could. However, if we had any suspicion that war was

certain to come on a fixed date, this knowledge would make a great deal of difference in the number of soldiers we would send to Europe and the number of forces we would mobilize here. He said the United States could not gather the necessary shipping in advance because of the effect which this action would have on world trade. He added that the Soviets would like nothing better than to lead us into a premature mobilization in the hope of bankrupting the Western powers. U.S. territorial divisions could be ready to go abroad just as rapidly as we could get shipping together to move them. At present, there is a shortage of equipment all around but later, he promised, when there is more equipment, perhaps the U.S. would be able to work out a way of shipping equipment to Europe prior to the outbreak of war. He noted that not very many divisions could be sent from the United States during the first 90 days of the war but emphasized that the delay would be caused by lack of shipping to move the vast quantities of equipment which the soldiers going abroad must have. He restated his belief that the numbers of men which could be sent abroad in an emergency would depend on the amount of shipping then available and that this depended to a large extent on our premonition of approaching war.

General Bradley said the United States would ask France, at the time when equipment was plentiful, for permission to ship to France and store there large amounts of equipment. In the event of war it would then be necessary to move to France only soldiers since their equipment needs could be met from the stores in France. This would greatly reduce the time required to build up a large force of U.S. troops in France. He urged that air bases in France be prepared now to accommodate the vast needs which would arise in the event of war. He pointed out that if these two actions were taken, the time lag on the arrival in France of additional U.S. soldiers after the outbreak of war would be greatly reduced.

General Juin said the French understood that during the first battle of the war, the United States would not be able to send large numbers of troops because of the shipping problem. He pointed out that this means that the European countries must lean on their own reserves to fight the battle of the first 90 days. He said he would bear in mind the proposal to send U.S. equipment in advance to France to be stored there against an emergency. General Juin then referred to the stationing of U.S. divisions in Europe as provided for by NATO plans.

President Truman acknowledged that there had been some argument in the United States about whether he had the power to send

U.S. divisions to Europe in advance of the outbreak of war. He stated firmly that despite the argument, he still has such powers.

Prime Minister Pleven noted that all accumulated stores of pre-war French equipment had been destroyed or taken by the Germans. The equipment problem of the French Army was most serious since the French had to begin all over again with only men. Equipment for these men had to be provided somehow.

General Marshall said that our air build-up in Europe will take place very rapidly during the first 90 days after the outbreak of war. We had pushed our manpower targets forward from 1954 to 1951. He noted the size of this build-up and added that this makes the power of our assistance very much greater.

President Truman said that in answering the questions which the French had asked, we had tried to be as clear as possible in our replies.

Prime Minister Pleven thanked the President for the information he had received and turned to a discussion of the French desire for close and full consultation with the United States. He said the Atlantic Pact must not be made to appear to be run by one country or by two countries. He said that frankly, the French did not want NATO to be an Anglo-Saxon show.

President Truman said he understood the French reaction and that we didn't want NATO to be that way.

Prime Minister Pleven said that frankly, the French did not like the idea of a private club to which the French did not belong. He illustrated his point by referring to a meeting which he said had taken place in Malta between US and British representatives to discuss Middle East questions.

President Truman, after asking both Secretary Marshall and Secretary Acheson, said he knew nothing about any such meeting.

General Bradley said he could throw some light on what Mr. Pleven might be referring to. He said that Admiral Carney, our naval commander in the Mediterranean, meets occasionally with the British commander in the Mediterranean to discuss mutual problems concerning their command, including the evacuation of their nationals in the event of an emergency. He said this meeting may have been the one which had led to the report that Mr. Pleven cited.

President Truman said there were no conversations going on with the British about Middle East problems.

Prime Minister Pleven said the French wanted to be allowed to participate in any such discussions.

President Truman said that neither the Secretary of Defense nor the Secretary of State had any intention of cutting the French out of any conversations. [2]

Prime Minister Pleven thanked the President for his reassurances on this point. He then said that as regards the NATO command structure, the views of General Eisenhower on this point were fully acceptable to the French.

President Truman suggested that they turn to a discussion of the German situation and the preparation for any Four-Power Conference. He stated that it was essential that the three Western powers present a common front during any talks which we might have with the Russians about Germany. He said that the objective of the Soviets would be to split France, the UK and the US on this subject.

Secretary Acheson, at the request of the President, spoke further about our policy toward Four-Power talks. He noted that tripartite talks will be held beginning tomorrow to work out positions which we would take in any quadripartite discussion. He stressed the importance of settling now the fundamental positions which we would adopt in any talks with the Soviets. He said the President was entirely right in saying that the primary aim of the Soviets in proposing quadripartite talks on Germany was to split the Allies.

Secretary Acheson said he believed that the French and the Americans fully agreed on two points. First, that we must progressively integrate Western Germany, or all of Germany, if that is possible, into Western Europe. Second, we must bring about a contribution by Western Germany, or all of Germany, if that is possible, to the defense of Western Europe, with safeguards, and in the NATO framework. He added that we must not agree on a neutralized and demilitarized Germany.

President Truman said this is our position and added that the Soviets would like Germany to become a bone of contention, with the hope of Sovietizing Germany.

Secretary Acheson said we cannot permit anything to come out of any Four-Power conference which would increase the possibility of the Soviet Union gaining control of Western Germany. Nor could we accept any proposal which would prohibit or limit the right of a unified Germany, or Western Germany, to join the West and contribute to Western European defense. Similarly, we could not accept, under present conditions, any commitment to the Soviet Union which would limit our freedom of action to carry out the Brussels decisions in regard to Germany. He pointed out that this means we could not accept any proposal which would necessitate a

[2] See the editorial note, *infra*.

withdrawal of our forces from Germany. Secretary Acheson said the policies he had summarized were being jointly carried out now and that he felt certain the Prime Minister was in full agreement with them. He concluded by expressing his hope that the French representative who takes part in the tripartite talks in preparation for a possible Four-Power meeting will be guided by these considerations.

Prime Minister Pleven said he wanted to reassure the President that France was fully aware of the Soviet design to try to produce disunity in the West. He noted that the Soviets have many opportunities to work toward their objective. If the President had found the French very anxious not to turn down Four-Power talks, it was because the French did not want to facilitate the work of the Soviets. He asked the President to bear in mind the differences in the psychology of the French and American peoples. Americans had not seen what modern war means, and he pointed out that the French lost 600,000 men in World War II. Physically and morally exhausted Frenchmen must be convinced that every effort has been made, even if there is only the smallest hope of success, to try to talk with the Soviets. If talks are held and fail, as they undoubtedly will fail, then the French will give greater support to the rearmament program, as will the West Germans.

The Prime Minister emphasized that the French had no views different from those of the United States. He said France did not support the idea of a neutralized Germany which would mean the placing of a neutral area in the center of Europe with all the resulting opportunities for intrigue, etc.

The Prime Minister said the USSR may be seriously concerned about a rearmed Germany in Western Europe. This may arise from a real fear of a Germany once again able to inflict terrible damage on the Soviet Union similar to that done during the last war. He suggested the possibility of explaining to the Soviets that the integration of Germany into Europe would end any real fear they may have of a sovereign revived Germany. His thought would be to explain to the Soviets the purpose of the Paris conference on the formation of a European army and try to convince the Soviets that they have nothing to fear from this proposed army. Such an approach would be a full rebuttal of Soviet attacks on the Schuman Plan and rearmament.

The Prime Minister admitted that the French were not optimistic about the outcome of any Four-Power conference but he stressed the fact that European public opinion was reassured by the willingness of the Western powers to offer to talk. He said that just being in the United States had resulted in his having a better understanding of some of the President's problems and he reas-

sured the President again that there was no divergence between the US and France on the fundamentals of the German problem.

Ambassador Parodi said there were three points which he wished to make during the discussion of Germany. The first point was that the Soviets would try to divide us in any Four Power meeting. The second point was that the Soviets are trying to regain the position they have lost in Western Germany during the past few years. He added that the Western powers have gained heavily in West Germany and must not lose these gains. The third point was that the rearmament of Germany may seem to the Soviets to be a terrible danger. He said that Russian fear of a rearmed Germany was based on what the Germans had done in Russia during the last war. Because of this fear, he continued, the Soviets might be prompted to introduce during a Four Power meeting a substantive proposal involving real concessions. He said the Western powers must not rule out the possibility of the Soviets bringing in some proposal which conceivably could be accepted. The Western powers by their actions should not make it possible for the Soviets to accuse the West of deciding those questions by action which were the very questions the Soviets desired to talk about. He contended that the Western powers must not by prior actions make it impossible for the Soviets to propose some agreement which could be accepted by the West.

Secretary Acheson said there may be some difference between us about this question. None of us, he added, must be afraid of talking with the Soviets. However, no Soviet proposal can be allowed to divide the Allies or upset the West Germans. He said it was difficult for him to think of anything the Soviets could propose which we could accept. He reaffirmed his belief that the Soviet suggestion for a meeting of the Council of Foreign Ministers was an attempt to strike at the base of collective security in the North Atlantic area and was a companion move to the action in Korea striking at the principle of collective security in the Far East. He said we must above all be suspicious of any Soviet proposal and examine it with a very suspicious eye. He pointed out again that we are firmly opposed to talking to the Russians about German rearmament only.

Prime Minister Pleven said that to discuss with the Russians does not mean that we have to hold up rearmament or our other plans and referred again to the difference in psychology between the French and the Americans.

President Truman, noting that the Prime Minister had a luncheon date with the press, adjourned the meeting until 3:00 p.m. the same day.

Communiqué

At the close of this meeting, the Honorable Joseph Short, Secretary to the President, made the following statement to the White House Press and Radio News Conference:

"The President and the Prime Minister and their advisers met from 11:00 a.m. until 12:30 p.m. They discussed problems relating to Europe, especially those of European unity. They also reviewed the status of existing measures for the defense of Western Europe within the framework of the North Atlantic Treaty Organization (NATO).

"The President and the Prime Minister found themselves in complete accord.

"The discussions will be resumed at 3:00 p.m. today."

No. 152

Editorial Note

On the afternoon of January 30, during the regularly scheduled State–Joint Chiefs of Staff meeting, the subject of French concern over exclusion from the Malta talks was raised again. General Bradley stated: "One of the French officers here for the Pleven talks told me that he had heard of a secret Mediterranean conference on the Middle East between the U.S. and U.K. He was much disturbed about this, and I told him that probably the conference to which he referred was merely a regular meeting between Admiral Carney and the Middle East Commander." Admiral Sherman asked whether it would "perhaps be fair to suggest that the U.K. may have deliberately given the French the impression that the U.S. and the U.K. were collaborating on Middle Eastern problems?" Bradley replied in the affirmative, adding that he knew that the British had told the French of previous such conversations with the United States, and H. Freeman Matthews added that it was his impression "that the British give these indications to the French of U.S.-U.K. collaboration." Assistant Secretary of State for Near Eastern, South Asian, and African Affairs George McGhee stated that "The French Ambassador came in to see me two weeks ago to suggest that the U.S., U.K. and France should have talks on Middle East security problems. I did what I could to discourage him." Rusk added that the French had also approached him with a similar suggestion concerning Far Eastern problems. Matthews ventured the opinion that "The French are afraid that we will set up a Combined Chiefs of Staff with the British and will leave them out." General Collins stated his opinion that the United States should hold bilateral talks with both the British and French where

and when appropriate, "but that we will not set up a global organization of the three powers to discuss all problems." Admiral Sherman concurred, adding "we are not going to have a three cornered world outfit." General Bradley agreed and Policy Planning Staff Director Paul Nitze added that if it made good sense to have an arrangement with the British in the Middle East, "I think we should do it and tell the French that we are doing it. We should not shy away from it simply because it worries the French." General Bradley agreed: "Ambassador Bonnet comes over here all the time to complain about one thing or another. I think our reply should be, 'so what?'" And Matthews brought the discussion to a close with the comment "The French believe that we are cooking things up every day with the British." For the Department of State record of this meeting, see volume V, pages 27–42.

No. 153

Secretary's Memoranda, lot 53D444, Memoranda—January 1951

Memorandum by Lucius D. Battle, Special Assistant to the Secretary of State

SECRET [WASHINGTON,] January 30, 1951.

In a meeting this afternoon preceding the meeting with Mr. Pleven, Mr. Acheson said that he had talked last night to Mr. Pleven and had raised with him then the "Yugoslav matter." [1] It was the consensus of the meeting that since we had talked with Mr. Pleven about this last night it was not necessary to discuss it in the meeting this afternoon. I gather that the Secretary followed the lines of the Department's notes on this subject [2] as he said that this had been omitted in the discussion this morning but that he had covered the matter last night in the discussion.

The Secretary also said that he had spoken to Mr. Pleven last night about the French proposal for consultation of the Governments of the United States, United Kingdom and France. He said that he told him that this would cause much trouble. The Secretary did not go into any further detail on what he had said but I am confident he repeated the line which was prepared for the President's remarks in the meeting today.

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[1] No record of this conversation has been found in Department of State files.

[2] Presumably a reference to the briefing paper prepared for the Pleven visit entitled "Western Policy Towards Yugoslavia (Pleven D-6/4)". Regarding these papers, see Document 148.

No. 154

Conference files, lot 59D95, CF 51

United States Minutes of the Third Meeting Between President Truman and Prime Minister Pleven, Cabinet Room of the White House, January 30, 1951, 3 p.m.–4:45 p.m.

TOP SECRET
US MIN–3

U.S.-FRENCH WASHINGTON CONVERSATIONS

PARTICIPANTS

United States	*France*
The President	Prime Minister Pleven
Secretary of State Acheson	General of the Armies Juin
Secretary of Defense Marshall	Ambassador Henri Bonnet
Secretary of the Treasury Snyder	Ambassador Alexandre Parodi
Director of Defense Mobilization Wilson	Ambassador Herve Alphand
Mr. W. Averell Harriman	Director of the Ministry of Finance Guindey
Mr. William Foster	M. Raoul de Vitry
Ambassador Philip C. Jessup	M. Jean Daridan
Ambassador David K.E. Bruce	M. Pierre Paul Schweitzer
Mr. Willard Thorp	M. de Marranches
Mr. Thomas D. Cabot	
Mr. Charles E. Bohlen	
Mr. James C.H. Bonbright	

[Here follows a short table of contents which lists: Economic Problems: Inflation, Trade Policy, and Stockpiling; Military Assistance; Proposed 3-Power Consultative Body on Far East; German Participation in Defense of Europe; Proposed 4-Power Talks With Soviets; Minutes of Joint Economic Subcommittee (Annex A); and Communiqué (Annex B).]

President Truman opened the meeting by saying that if the Prime Minister was agreeable they would discuss economic questions and then turn to unfinished business, including the question of a communiqué. The Prime Minister having indicated his approval, the President called on Assistant Secretary of State Thorp.

Assistant Secretary Thorp reported briefly on the work of the Joint Economic Subcommittee. He said agreed minutes of these discussions would be attached to the record of the conversations (Annex A). Mr. Thorp said the subcommittee had discussed the question of United States financial assistance, including the $200

million program, the use of counterpart funds, the question of rising prices and the allocation of raw materials.

Prime Minister Pleven impressed upon the President the importance to France and other European countries of the fight against inflation. He said it was absolutely necessary to get across to the Europeans that inflation is greater in Europe than in the United States because of the terrific productive capacity of the American economy. He said that Finance Minister Petsche was very worried about this problem. In France it is easier to get people to pay higher taxes than it is to get them to accept a rise in the cost of living. Fears of inflation are based largely on the huge increase in the price of raw materials and the rapid rise in land freight and shipping rates. He said the present situation is creating a feeling of insecurity which is a serious problem for every European government. He admitted that this economic insecurity is the weakest point in the French situation. He begged that the President do everything possible to help halt the rise of international prices. The French would support any measure proposed to achieve this objective, and he felt that the Allies must aim at some way of controlling internationally the prices of raw materials which are in short supply. All government programs are affected by this question. Pointing out that France was not a producer of raw materials, the Prime Minister said that they were the tail of the kite on this problem. As an example, he cited the huge increase in the cost in France of newsprint. This led to a 50 per cent rise in the sale price of newspapers. To the average Frenchman the increase in the cost of his daily newspaper was symbolic of the rise in items affecting his cost of living. He said that we must find a way to control effectively the prices of essential materials.

President Truman said that we are making a major effort in the United States to control prices. We are raising taxes to meet the huge new military costs. We had discussed the cost of defense and its effect upon each domestic economy with Prime Minister Attlee in the same way that we are discussing it now. He stated that if inflation comes, the Russians will have won their point.

The President said that in the past several months we have reviewed and revised our defense plans. He recalled that in December and again this month he had asked Congress for much greater sums for defense. When Mr. Attlee was here last month, he and the British Prime Minister had announced their agreement on steps to increase our defenses as rapidly as possible. He called attention to the fact that the British had introduced their new defense program into Parliament yesterday.

The President said that in regard to current French trade policy, France had apparently taken our place as the advocate of protec-

tionism. High tariffs hadn't worked for us, and he predicted that they would not work for the French. The President said that we must make every effort to increase production. He had appointed Mr. Charles Wilson, who was present this afternoon, to head up these efforts.

Secretary Snyder reassured the Prime Minister that we are taking a very serious view of the inflation problem. He cited the aggressive fiscal steps which we took at once to fight inflation. He recalled that the administration had been successful in taking a tax reduction bill which had been introduced in Congress, turning it around, and having it resubmitted as a bill which would greatly increase government revenue. He noted also the steps which we have taken to encourage savings, including a program to expand the sale of savings bonds which he thought would be received favorably by Congress. He referred to the controls which we have already put on scarce items and asked the Prime Minister to assure Mr. Petsche that we are attacking inflation in every way we know how.

Prime Minister Pleven said he would do so. He said he had appointed as French representative to the three-power raw materials group Mr. de Vitry, who is head of one of the largest business organizations in France. This was proof of the seriousness of French interest in the problem of raw materials.

The Prime Minister said he would like some information about our stockpiling policy which he indicated was creating pressures on prices. He asked that our policy be changed to ease these pressures, and indicated that the French were prepared to ration raw materials in order to conserve existing supplies and avoid unessential use of them.

The Prime Minister said he accepted the President's criticism of French tariff policy.

President Truman said his comments were not meant as criticism.

Prime Minister Pleven said that the French would alter their policy and go forward with tariff reductions now being discussed at the Torquay meeting.[1] He explained their past actions on the grounds that a French Government agency was out of line with the thinking of the Cabinet and promised that this would be rectified at once.

The Prime Minister expressed his appreciation of our action in unfreezing the counterpart funds which Mr. Thorp had mentioned.

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[1] The Contracting Parties to the General Agreement on Tariffs and Trade held a Special Session at Torquay, March 29–April 3, to discuss the question of European tariff disparities.

The Prime Minister said that he had available and would give to the President full information on changes in the October 5 rearmament program. He did not go into details but said that when a scheme of armament is undertaken on a mutual help basis, it is impossible to foresee all the difficulties. The efficacy of our military assistance would be greater if the United States law, under the terms of which the aid is made available, was altered to make it more flexible. He pointed out that under this law the French could not be given assistance in the building of air bases, with the result that there was a delay, since France had to find the required funds somewhere in its budget. He cited other instances where the restrictions of the law delayed or prevented actions which would be mutually beneficial.

President Truman said we can examine this problem to see what can be done. He noted that already there was some criticism in Congress and some agitation to put an end to all military assistance. He predicted that such assistance would not end but indicated that the providing of assistance will have to be done in a way acceptable to Congress.

Prime Minister Pleven said that the way United States aid for military assistance is now being handled results in the least aid being given to those states which are doing the most on the manpower problem. United States aid went in larger amounts to those countries concentrating on building up military production of end products and discriminated against those states which were spending large amounts on increasing the number of men under arms.

Secretary Acheson said we were now engaged in drafting new legislation and promised to examine the questions which the Prime Minister had raised and review the situation with the appropriate French officials.

Mr. Foster said that ECA was attempting to put more flexibility into the new legislation.

President Truman said that our Deputies in London have instructions to look into all of these problems. He promised that we would see that something was done. We must put our shoulders to the wheel and go ahead as fast as we can rather than delay until everything was worked out to our full satisfaction.

Secretary Marshall pointed out that the Administration always asked Congress for more flexibility than it ever got.

Secretary Marshall said that General Bradley had told General Juin that we are studying the problem of emergency evacuation of French forces in Indochina and that we will do whatever we can in the event this action becomes necessary. His Department had looked again at the question of providing another aircraft carrier to the French but that he had nothing new to add to what he had

said yesterday. He repeated that the two difficulties were that (1) the only carrier available would have to be one taken out of moth balls which was a long process and (2) Congress would have to approve any transfer.

President Truman said that one of the difficulties of presenting this question to Congress was the necessity of proceeding with care so as not to give the critics of the Administration a chance to say that we were doing something for others which we were not doing for ourselves.

Secretary Marshall said that he had asked the Air Force to look again for any transport planes which might be turned over to the French for use in Indochina. He admitted he was very doubtful that they would find any but he would let the French know if they did. He indicated that we might be willing, if the French so requested, to ease some of the restrictions on the use of the USS *Langley*.

Secretary Acheson reported that the French and United States staffs had held a very useful discussion this morning about military assistance for General de Lattre's operations in Indochina. He said that there is agreement on the urgency of the need and the character of the assistance required. He expressed the hope that within the next day or two we would have specific answers for the French delegation as to just what we will be able to furnish and an approximation of when we can furnish it. He explained the delay by saying that it was necessary for us to examine the actual availability of the items which are required immediately.

Secretary Acheson also reported that the two staffs had discussed the suggestion made by the Prime Minister yesterday concerning budgetary assistance for the National Army in Indochina. Because little detail was available concerning the proposal, the Secretary said the discussion was largely on the principle of the proposal. On the basis of the information which the French officials gave us, we would find it very difficult to hold out any hope of assistance along this line. He stated that last October when Secretary Snyder and Finance Minister Petsche discussed the question of French budgetary deficit, they agreed that the United States would limit its dollar assistance to payment for end items or matériel. The Secretary said that we continue to believe that we cannot become directly involved in local budgetary deficits of other countries. Our military assistance can be given in terms of supply and equipment not otherwise available to the country receiving the aid.

Secretary Marshall asked General Juin to do anything he could to facilitate the negotiation of the agreement covering the Moroccan air base. He pointed out that our fastest build-up can be done by air and that it was very important for us to be all set to do this.

General Juin said that the French were ready to go to work on the landing field.

President Truman, replying to the Prime Minister's request for a three-power consultative body to advise on Asian strategy, said we had been rather reluctant to accept such proposals. He added that we did not see how we could work with two of our allies and leave the others out. This might hurt us more than help us. The United States was not ready to agree to this proposal which he thought would require further conversation with the Prime Minister and with Mr. Attlee.

The President said, however, that we want to give the French all the consultation they want because we know they are on the Rhine. He said that the United States was neither headstrong nor arbitrary in its actions and that we were conscious of the welfare of all of our allies.

Secretary Acheson, at the suggestion of the President, added that he believed the way to proceed was to tie together the large number of bits of machinery now used for consultation. He pointed out that we were agreeable to tripartite military consultation on Indochinese matters. He said that the NATO Standing Group worked in this field and that it soon would be made more effective. He pointed out that three times a week Assistant Secretary Rusk meets with French representatives to keep the French and our other allies up to date on events in Korea and to inform them of our current thinking on the Far Eastern problems. The three Foreign Ministers meet periodically to discuss mutual problems. If the President approves, Ambassador Bruce could be instructed to meet regularly with the British Ambassador in Paris and a representative of the French Foreign Office to discuss questions of common interest. The Secretary said that in our opinion we can accomplish what we want by the means which he had just described. To set up a separate organization would in his opinion cause us many complications. He cited the Prime Minister's reference to a US–UK meeting in Malta which neither the President, Secretary Marshall nor he knew anything about and which apparently had not taken place. He also cited the serious difficulties which arose in NATO during the Brussels meeting over the question of the Three Powers' action on the raw materials question.

Prime Minister Pleven expressed his appreciation for the quick action which the United States had taken on all the questions he had raised.

The Prime Minister suggested that possibly some financial help for the Vietnamese Army could be obtained by extending the list of materials which we are sending to Indochina. He illustrated this point by saying that there is an item in the French budget for gaso-

line for Indochina. If the United States would pay for this gasoline, French funds allocated for this purpose could be used to maintain the Vietnamese troops. In explanation, he said that the French legislature balked at paying for the upkeep of native troops when they had already authorized large funds to pay the cost of maintaining French armies in Indochina.

The Prime Minister said he would accept our views on consultation. He added, however, that it had not been his idea to have any tripartite consultations known to the public. The French feel that the Allies have a tendency to make piecemeal decisions on the Asian questions, and he had proposed the new organization in the hope that it would meet a need for coordinating policy in Asia. This was our objective, made necessary by the fact that we were facing an adversary whose policy was highly centralized and coordinated.

Secretary Acheson said again that he thought we could work this out by using Ambassador Bruce and suggested that possibly Assistant Secretary Rusk might go over to Paris for discussions. He repeated his conviction that the French desire for fuller consultation could be met.

Secretary Acheson then asked permission to clarify a point which arose this morning during the discussion on Germany. He said that he had understood the Prime Minister to say that the fact that a four-power meeting is pending or actually in progress must not cause any interruption in carrying out our defense effort under the Brussels Agreement, including the execution of the plans for German participation. He said that on the basis of this statement he assumed that all of us are agreed that we will go forward as fast as we can with the military and political talks with the Germans and that we would not hold up reaching final agreement with the Germans in these fields.

Ambassador Parodi, at the suggestion of the Prime Minister, replied that the French did not suggest there be any delay, even on the question of German rearmament. He added, however, that the French believed it would not be wise to push German rearmament to the point where the entire question was settled by the time the four-power meeting took place. The French did not want a four-power meeting to be made useless by prior settlement of all questions concerning German rearmament. This whole matter was one of proper timing.

Prime Minister Pleven said that there was no disagreement between us on this point. From the moral point of view it was highly important for us never to appear to be refusing to talk to the Soviets. We should always be in a position to say honestly that if there was no agreement with the Russians it was because Soviet propos-

als were unsound. He stated that if we by prior action settle everything which the Russians want to talk about, they can say that in effect we have already resolved the questions which we say we want to discuss with them. He fully agreed that we must not allow the Soviets to get us into a position where we cannot go forward with our German policies. (The President interposed that this was exactly our tactic.) On the other hand, we must not get into a position which the Soviets can use to their advantage in attacking us on the grounds that we have made any talks with them useless by things which we have done prior to the opening of the talks.

Secretary Acheson recalled the situation in 1949 when the three powers were asked by the Russians to delay the creation of the Bonn Government while the four-power meeting was in progress. The western powers refused to do this at that time and the Secretary said he thought we should follow the same line now. He referred to the Paris Conference on the creation of the European Army, which the Germans would attend, and the discussion with the Germans by our High Commissioners, [2] and urged that we reach agreement with the West German Government if we can as quickly as we can. He recommended that we move along on an even course, no faster or no slower because of the possibility or actuality of four-power talks, and he cautioned against bringing everything to a halt pending the outcome of any talks with the Russians.

Ambassador Parodi said that if by any chance the four-power meeting was a success, the western powers would want to look again at the problem of rearming Germany.

Secretary Acheson replied that inevitably this would be true. He said that he could not see any possibility of the Russians making a concession on Germany at this time which would be acceptable to us. If the Russians had a change of heart and altered their entire present policy, including a major reduction in their armed forces, obviously all of us would reconsider many of our policies, not only our German policy but also our arms program.

General Marshall asked whether you could believe the Soviets and rely on their agreements even if they accepted agreements. He said that in his experience on this question he favored making no change in our policies until a year or two after the Soviets had accepted agreements, during which time we could see if we could believe that they had honestly changed their intentions. He argued that the Soviets must prove their good faith by deeds and that we

[2] For documentation concerning the Bonn meetings between representatives of the Federal Republic of Germany and the Allied High Commissioners, see vol. III, Part 2, pp. 1446 ff.

would be foolish to alter our programs until we were convinced by their actions that we were safe in believing them.

Prime Minister Pleven said that he was more concerned about public opinion in France and Europe and much less about the possibility of the Russians making real concessions.

President Truman said we cannot allow the Russians to get us into the position of holding up or delaying our military build-up. The Soviets respect only force and we must go forward fast to get the force that they will respect.

Secretary Acheson concluded by saying that we must not give the impression to anyone that the plans of the West may be upset by what comes out of a four-power conference.

President Truman said that unless there was further discussion he would suggest that they take a look at the draft communiqué.

When it appeared that both delegations desired to make considerable changes in the communiqué, the discussions were adjourned. The final communiqué (Annex B) was accepted later in the evening by the Prime Minister and the President.

[Annex A]

CONFIDENTIAL

Agreed Minute of Discussions on Economic Questions by the U.S.-French Economic Working Group, Washington, January 29–30, 1951

Department of State
Mr. Thorp
Mr. Bell
Mr. Beigel

Treasury Department
Mr. Martin
Mr. Willis

Department of Defense
Colonel van Syckle
Mr. Whitehouse

ECA
Mr. Porter
Mr. Lippincott

White House
Mr. Gordon

ODM
Mr. Mitchell

Ministry of Finance and Economic Affairs
Mr. Guindey
Mr. de Vitry

French Embassy
Mr. Richard
Mr. Schweitzer
Mr. de Margerie
Mr. Siraud
Mr. Demont
Mr. de Boisgelin
Mr. Dangelzer

Preliminary to the consideration of economic questions by President Truman and Mr. Pleven, the Economic Working Group of the two delegations discussed the following agenda items:

1. Questions raised by US military and financial assistance to France.
2. Development of Atlantic cooperation to deal more effectively with rising prices and inflation.
3. Raw materials problems.

1. US Assistance to France in Relation to the French Defense Effort

Economic assistance during the first half of 1951. The French side recalled that Parliament had recently voted the 1951 military budget and that the French Government is providing information on its defence program to the American Embassy in Paris. In the French view this program is substantially consistent with the program presented on October 5, 1950, and may be considered to be a firm and unconditional commitment. The French side indicated that it has submitted proposals for the provision of $200 million of US assistance contemplated for the first half of 1951. The French side emphasized its interest in actually receiving this amount of assistance during the first half of 1951.

With regard to assistance during the first half of 1951, the US side raised two points. First, that the US must be assured that the definitive French defense program is substantially consistent with the program presented on October 5, both with regard to Metropolitan France and with regard to the Overseas Territories, especially Indochina. The French must also demonstrate that the $200 million are required for payments referred to in paragraph 13E of the *aide-mémoire* of December 18, 1950.

In this respect, the US side drew attention to the recent increase in French gold and dollar reserves. The US side emphasized that the result of US assistance should not take the form of increases in monetary reserves and that the US could not adopt a policy of financing internal French budgetary outlays associated with the rearmament effort. This view would apply to expenditures in francs or piastres in Indochina, as well as to other French budgetary outlays.

The French side replied that detailed documentation on the first point had been provided to the American Embassy in Paris. With respect to the second point, the French side stated that the recent increase in French reserves is partly artificial, and that France will be forced by circumstances to spend more dollars for imports than had earlier been anticipated. The French Government will provide full details about its import program to the United States Government in either Paris or Washington.

The US side gave assurance that if the above two points are settled satisfactorily, no administrative difficulty should arise in connection with the provision of $200 million during the first half of 1951.

The US side pointed out that the US Government has revised its own programs sharply upward since last October, looking toward a more rapid rate of rearmament. The US assumes that other countries will be taking similar action when appropriate and attaches great importance to such action.

Economic assistance to France in the future. In October 1950 the French Government pointed out that the effect of linking US economic assistance with military production in recipient countries would interfere with the accomplishment of our common objectives. In the French view such a linking would not permit the equitable distribution of US assistance to those countries whose defense expenditures are devoted in large part to the maintenance of forces and infrastructure. The French Government believes that its view has been confirmed by further studies of its future military program. Although the problem may not exist in relation to assistance during the first half of 1951, it is feared that it will become acute later on. The French side said that in its view a broader interpretation or an amendment of the present law may be required in order to deal with this problem.

The US side indicated that the US is presently thinking about the foreign assistance program for 1951/52. Whatever form this program takes, it is the US position that aid would be provided to meet real dollar requirements and not for the purpose of providing local currency resources to cover a budget deficit. The US does not consider the administrative techniques for the provision of assistance to be a serious problem, provided the French military effort is proceeding as agreed and provided there is a demonstrated need for dollar imports. The French need not worry about US technical problems if these two fundamental conditions are satisfied.

The French side indicated that the French Government is presently considering its defense budget for the period after December 31, 1951. In this connection, the French would find it extremely helpful to know, in a preliminary and unofficial way, something of US thinking on foreign assistance in the future and on the amount of such assistance that may be requested from the Congress. The French side also stressed the fact that its Government is greatly interested in the continuance of economic assistance, the counterpart of which will still be necessary to finance the investment program in 1952.

The US side indicated that it will probably seek legislation involving the "marriage" of the ERP and the MDAP, at least in so

far as they involve the members of the NATO. At the same time, it will seek to obtain greater freedom of action for the distribution of funds between the supply of end-items and economic assistance. The US is not yet in a position to determine the amounts which will be requested from the Congress for foreign assistance. However, it hopes to assemble before March 1 sufficient documentation to justify the estimates which will be submitted to the Congress. The French side agreed to provide as much documentation on the proposed French 1952 budget as may be available during February. The US side indicated that the estimates for foreign assistance as a whole, both economic and military, will in any case be higher than the appropriations for the current fiscal year.

Use of ERP counterpart. The US side indicated that the US had agreed in principle to the release for investment and reconstruction expenditures and, if consistent with US legislation in force at the time of release, for military expenditures of French counterpart funds generated in calendar 1951 from ERP aid provided prior to the end of US fiscal 1950/51. It was pointed out that this agreement involves no US commitment as to the amount of economic aid which will in fact be provided to France during 1950/51 or calendar 1951 (which amount has not been finally determined). It was also pointed out that the possibility of new legislation in US fiscal 1951/52, or of new US policies with regard to US foreign economic assistance make it impossible to discuss at this time counterpart policies for that period. It was made clear that the specific release of counterpart funds will be the subject of further discussions with the French Government in Paris.

2. Development of Atlantic Cooperation To Deal More Effectively With Rising Prices and Inflation

The French side emphasized that its Government is strongly attached to the principles of equitable distribution of defense burdens and international cooperation to combat inflation. The French side welcomed the measures taken by the US to curb inflation and deal with rising prices. The French side indicated that the price controls which have already been established in France affect about half of all French transactions. Moreover, the French Government is ready when necessary to strengthen and extend the scope of French price controls.

Without putting forward any particular proposal, the French side wondered whether or not it may be useful to establish a limited international group in order to permit consultations intended to coordinate the policies followed by each of the NATO countries to deal with inflation.

The US side recognized that the objective of dealing with the problem of price increases and inflation, in so far as international action contributes to this objective, deserves further consideration. The US side pointed out that no specific procedures or approaches have been developed and that further study would be required before any specific measures would be undertaken.

The US side indicated that there appeared to be certain anomalies in the policy followed by the French Government to deal with inflation. For example, the protectionist position taken by the French delegation at Torquay appeared to the US to mitigate against an increase in French imports as a means of combatting inflation.

The French side observed that with respect to the reduction of quota restrictions, the French Government had scrupulously fulfilled its obligations as defined by the OEEC, and that it had been one of the original sponsors of trade liberalization. With regard to tariffs, the French side maintained that the misgivings about the French position are on the verge of being removed. The French side observed that its Government in numerous instances had suspended tariffs entirely in order to curb price increases (although many of these suspensions have recently been restored). In the future the French Government intends to resort to such measures whenever necessary.

The US side agreed that consideration might be given to the possibility of temporary tariff suspensions, such as were made during the last war.

The French side stated that its Government is also greatly interested in international monetary cooperation in connection with the stabilization of exchange rates and currencies of the NATO countries.

The Working Group agreed upon the following suggested paragraph for the final communiqué:

"We have recognized the importance of dealing with the problem of inflation and rising prices, which adversely affect the common defense effort. We agreed that not only should vigorous national action be taken but that whenever international measures may effectively contribute to this objective we would give our full support."

3. Raw Materials Problems

The French side stressed the importance its Government attaches to raw materials problems. The French Government has just designated Mr. Raoul de Vitry as its representative to the central commodity group, and hopes that the nomination of the US representative will be made as soon as possible. The French side emphasized two essential problems relating to raw materials: restrictions

on the unnecessary accumulation of stocks and controls on raw materials in short supply.

Measures have already been adopted by the French Government to prevent the excessive accumulation of inventories. The French Government has also decided to control the use of scarce raw materials. Business and trade associations in France have already imposed upon themselves certain voluntary controls, which they are ready to strengthen.

The US side indicated that its representative to the central community group will be nominated in the very near future, that specific measures have been taken with regard to raw materials, and that general price controls have been introduced in the US. The US side pointed out that international commodity groups were to proceed by recommending allocations of raw materials for the purposes of (1) reducing the volume of goods going to Iron Curtain countries, (2) stimulating production of essential goods, (3) curtailing non-essential uses of certain commodities, (4) avoiding unnecessary accumulation of stocks, and (5) avoiding competitive purchasing. The US side emphasized that in its view the groups should proceed through recommendations to national governments.

The French side emphasized that its Government believes that the contemplated commodity groups should deal with all raw materials in short supply. In this connection, the French side raised the question of wood pulp and newsprint. The French side also drew attention to the problem of rising ocean freight rates.

The Working Group agreed upon the following suggested paragraph for the final communiqué:

"We agreed that the solution of raw materials problems ought to be the aim, not only of national action, but also of international action undertaken with the utmost speed and vigor. The objectives of such action are to give the necessary priority to defense requirements and to meet essential civilian needs through the stimulation of production, the equitable distribution of available supplies, the avoidance of waste in non-essential uses and of unnecessary accumulation of stocks. The two governments, together with that of the United Kingdom, are presently proposing the formation of International Commodity Groups which will take up immediate problems of material shortages of common concern to the countries of the free world."

[Annex B]

COMMUNIQUÉ ISSUED BY THE PRESIDENT OF THE UNITED STATES AND THE PRIME MINISTER OF FRANCE, JANUARY 30, 1951

Since Prime Minister Pleven arrived in Washington on January 29 three meetings between the President and the Prime Minister have been held. Those who participated as advisers were:

United States

Dean Acheson, Secretary of State
John W. Snyder, Secretary of the Treasury
General George C. Marshall, Secretary of Defense
Charles E. Wilson, Director of Defense Mobilization
William Foster, Administrator, Economic Cooperation Administration
General Omar Bradley, Chairman of the Joint Chiefs of Staff
W. Averell Harriman, Special Assistant to the President
Philip C. Jessup, Ambassador at Large
David K. E. Bruce, U.S. Ambassador to France
Willard Thorp, Assistant Secretary of State for Economic Affairs
Dean Rusk, Assistant Secretary of State for Far Eastern Affairs
Thomas D. Cabot, Director Designate of International Security Affairs, Department of State
Donald R. Heath, U.S. Minister to the Associated States of Indo-China
Charles E. Bohlen, U.S. Minister to France
James C. H. Bonbright, Deputy Assistant Secretary of State for European Affairs
Henry A. Byroade, Director, Bureau of German Affairs, Department of State

France

Henri Bonnet, French Ambassador to the United States
General of the Armies Alphonse Pierre Juin, French Resident General in Morocco
Ambassador Alexandre Parodi, Secretary General, Ministry of Foreign Affairs
Ambassador Herve Alphand, French Deputy to the North Atlantic Council
Guillaume Guindey, Director of the Ministry of Finance
Raoul de Vitry, French Representative to the Central Committee on Raw Materials
Tezenas de Montcel, Inspector General representing the Ministry of the Associated States
Jean Daridan, Minister Counselor, French Embassy
Pierre Paul Schweitzer, Financial Counselor, French Embassy
Gontran de Juniac, Counselor, French Embassy
Colonel Allard, Chief of Staff to General de Lattre de Tassigny
M. de Marranches, Aide to General Juin

At the conclusion of their conferences, the President and the Prime Minister issued the following joint statement:

The President and the Prime Minister exchanged views on the broad subject of international affairs and they touched upon all the questions that are of common interest to France and the United States. Once again they found that there exists a fundamental identity of views between the two countries.

The President and the Prime Minister reaffirmed their belief that the principle of collective security, embodied in the Charter of the United Nations, is the chief bulwark of world peace and of the independence and survival of free societies in the world. They agreed that, in conformity with this principle, aggression must not be rewarded or the menace of aggression appeased. It is in this spirit that the President and the Prime Minister examined the means to assure coordinated action and turned to the more detailed questions as set forth below.

I. Far Eastern Problems.

The President and the Prime Minister found themselves in complete agreement as to the necessity of resisting aggression and assisting the free nations of the Far East in their efforts to maintain their security and assure their independence.

The situation in Korea was discussed and they concurred that every effort must be exerted to bring about an honorable solution there. Until that end can be accomplished, resistance by United Nations forces to aggression must continue. Both France and the United States will support action directed toward deterring aggression and toward preventing the spread of hostilities beyond Korea.

With regard to Indo-China, the Prime Minister described the heavy responsibilities borne by France in that area and the great cost, both in lives and money, she has paid in resisting the communist onslaught in order to maintain the security and independence of the Associated States, Viet Nam, Cambodia and Laos. The Prime Minister declared that France was determined to do its utmost to continue this effort. The President informed the Prime Minister that United States aid for the French Union forces and for the National Armies of the Associated States will continue, and that the increased quantities of material to be delivered under the program authorized for the current fiscal year will be expedited.

The President and the Prime Minister agreed that continuous contact should be maintained between the interested nations on these problems.

II. Problems of Europe.

The President and the Prime Minister both recognized the vital importance of Europe to the defense of the entire free world. The

Prime Minister described the French efforts to achieve European unity. He stressed in this regard the French desire to see disappear the divisions and rivalries that oppose a harmonious development of the European economy and the establishment of a strongly organized Europe. The Prime Minister stated that the policy of the French Government was to favor the creation of a broad European market open to competition by all through the abolition of cartels and discriminatory practices.

The President and the Prime Minister were in fundamental agreement that the cause of peace in Europe and the world would be furthered by a progressively closer integration in every aspect of a democratic Germany into a vigorous Western European community.

The Prime Minister brought the President up-to-date on the recent developments relating to the Schuman Plan Treaty. He expressed appreciation for the interest and the comprehension which this Plan found in the United States. The President hoped that the Treaty would be concluded in satisfactory form at the earliest possible moment. The Prime Minister also mentioned that new steps are anticipated in the same direction, particularly in the field of agriculture.

The Prime Minister also referred to the conference to be convened in Paris on February 6th, to consider the formation of a European Army based on European political institutions and within the framework of the North Atlantic Treaty Organization. The President welcomed the conference and expressed his hope for its success. He informed the Prime Minister that the United States would be glad to accept the invitation to send an observer, and that Ambassador David Bruce would be designated.

III. Atlantic Defense Plans.

The President and the Prime Minister exchanged views with regard to the progress made by both countries in their defense programs. The President described to the Prime Minister the great efforts now being made by the United States. Mr. Pleven outlined the steps taken by France in this field and added that the French Government would neglect no opportunity to intensify its rearmament and particularly to accelerate as much as possible the execution of existing programs.

The President and the Prime Minister reaffirmed their conviction that German participation in the common defense effort as envisaged last month at Brussels would strengthen the security of Europe without altering in any way the purely defensive character of the North Atlantic Treaty Organization.

IV. Economic Problems.

The President and the Prime Minister also reviewed certain questions concerning United States assistance to France in the economic field. They clarified procedures so that United States assistance will make its most effective contribution to the French defense effort.

They agreed that the solution of the raw materials problems ought to be the aim, not only of national action, but also of international action undertaken with the utmost speed and vigor. The objectives of such action are to give the necessary priority to defense requirements and to meet essential civilian needs through the stimulation of production, the equitable distribution of available supplies, the avoidance of waste in non-essential uses and of unnecessary accumulation of stocks. The two governments, together with that of the United Kingdom, are presently proposing the formation of International Commodity Groups which will take up immediate problems of material shortages of common concern to the countries of the free world.

They recognized the importance of dealing with the problem of inflation and rising prices, which adversely affect the common defense effort. They agreed that not only should vigorous national action be taken but that wherever international measures may effectively contribute to this objective they would give their full support.

The President and the Prime Minister wish to state that the supreme objective of the foreign policies of the United States and France is the establishment and maintenance of durable peace based on law and justice.

The measures which they have discussed and undertaken in common with other free nations for the development of adequate defense under the North Atlantic Treaty and for the development of European unity are directed solely to that end.

Moreover, the two governments have never neglected in the past and will never neglect in the future any genuine opportunity to settle international problems by negotiation.

The discussions between the President and the Prime Minister have shown again that no menace or maneuver will succeed in shaking the fundamental unity which exists between the United States and France.

No. 155

Editorial Note

On February 2, President Truman directed that the results of the recently-concluded talks with Prime Minister Pleven "be reported by the Department of State for the information of the National Security Council." As a result of this directive, Acheson forwarded a memorandum to NSC Executive Secretary Lay on February 23 entitled "Results of the Conversations Between the President and the French Prime Minister." Lay circulated this memorandum immediately to the members of the National Security Council, the Secretary of the Treasury, and the Director of Defense Mobilization as NSC 105. Documentation concerning NSC 105 is in S/S–NSC files, lot 63D351, NSC 105 Memoranda.

B. Visit to Washington of President Vincent Auriol, March 28–April 2, 1951

No. 156

Editorial Note

Vincent Auriol, the first President of France ever to visit the United States, arrived in Washington on the afternoon of March 28, from New York where he had landed earlier in the day. President Auriol and his party left New York City at 11:30 p.m. on the evening of April 2, for Montreal en route to Ottawa.

The French Government had been anxious to arrange for Auriol's visit for some time. Difficulties arose in scheduling the visit during 1950 and it was therefore postponed until March of 1951. President Truman transmitted the formal invitation orally by way of Ambassador Bonnet in late May 1950, and President Auriol formally accepted by letter to President Truman on June 29, 1950. According to the background memorandum on the visit prepared in the Department of State during the month of March 1951, "The major purpose of President Auriol's visit is to strengthen the sentiments of good will and friendly interest which have existed traditionally between France and the United States." President Auriol was accompanied by a very small party including his wife; Minister of Foreign Affairs Robert Schuman; General Paul Grossin, Military Secretary General to the President; and several lesser officials.

President Auriol's visit was intended to be primarily symbolic and ceremonial. One official conversation was held between Presidents Truman and Auriol in the Cabinet Room of the White House on March 29. Secretary Acheson and Foreign Minister Schuman

held three conversations during the course of Auriol's stay in Washington, and the French President on April 2 addressed a joint session of Congress. (*Congressional Record*, 82d Congress, 1st Session, Part 3, pages 3118–3120) But for the most part, President Auriol's time was spent giving and attending various dinners in both Washington and New York City, wreath-laying ceremonies, and trips to Mount Vernon and the United States Naval Academy at Annapolis.

Because of the nature of the visit, no formal sets of briefing papers were prepared. However, a lengthy background memorandum was compiled summarizing the course of proposed discussions and the respective positions of the two governments on the major issues of the time. This memorandum, relevant portions of which are printed *infra*, was read by Secretary Acheson on March 26, but it does not appear from the Secretary's memoranda file that it was read by or discussed with President Truman prior to Auriol's arrival. (Secretary's Memoranda, lot 53D444, March–April 1951)

Documentation on the origins and arrangements for the Auriol visit is in file 751.11 for 1950 and 611.51 for 1951.

No. 157

611.51/3-3151

Background Memorandum Prepared in the Department of State [1]

TOP SECRET [WASHINGTON,] March 1951.

VISIT TO THE UNITED STATES OF VINCENT AURIOL, PRESIDENT OF THE FRENCH REPUBLIC, MARCH 1951

[Here follow a table of contents, a program for the Auriol visit, and a list and biographical sketches of the members of the Auriol party. The omitted section comprises 4 of 35 pages of the source text.]

THE POLITICAL SITUATION IN FRANCE

Current Internal Problems

After the fall of Prime Minister Pleven's cabinet on February 28, 1951, over the question of electoral reform, [2] Henri Queuille, a Rad-

[1] For information concerning this memorandum and its drafting, see the editorial note, *supra*.

[2] On January 22, Ambassador Bruce cabled the Secretary of State that the electoral law reform problem was the "number one issue dividing parties" of the third force governing coalition in France and dividing the third force from the Gaullists. *Continued*

ical Socialist and a former Premier, was able to form another "third force" coalition government of so-called "limited activity". Its principal tasks are to prepare for national elections, which may be held this June, to get the national budget passed and to take certain temporary and emergency measures to improve the economic position of labor. The general pre-electoral atmosphere which has been apparent for many months has gradually weakened the governmental coalition of the Socialist, MRP (Catholic Party) and Radical Socialist (moderate right) parties. The national preoccupation with the elections, which will determine the composition and political outlook of the National Assembly for the next five years, is responsible for the failure of the government to take action necessary to improve the position of industrial workers.

In spite of the remarkable recovery of the French economy, which has reached levels of production well above pre-war, the purchasing power of industrial workers is still below the 1938 level. This accounts for the dissatisfaction of the workers with the moderate governments and is a factor in their tendency to vote Communist as a protest against the situation. Although the present wave of strikes [3] will be exploited by the Communists, they are caused by long-standing economic distress which has been aggravated by the rise in the cost of living (of almost 10 percent compared to about 7 percent in the US) since the beginning of the Korean War.

Under existing legislation national elections must be held before November 1951. The National Assembly has now passed a compromise bill which abandons the previous system of proportional representation and provides for an electoral law based on a majority system, a single ballot, party alliances and the "departments" as

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The prime objective of electoral law reform, Bruce continued, "is reduction of Commie strength in assembly" and reform was therefore regarded as a "matter of national defense." On December 21, 1950, the Assembly had voted 399 to 177 (only the Communists in opposition) in favor of the principle of reform. But third force parties and the Gaullists were divided (1) by contrary calculations as to how many seats might be taken away from the communists under various proposed plans, (2) the fear that "No reform at all, and even some reform proposals, would risk election of an Assembly so evenly divided into three major blocks—CP, Gaullists and third force—that effective govt would be so difficult as to be almost impossible," and (3) simple mutual suspicions of each other's motives and aspirations. These obstacles to electoral reform 10 months before a constitutionally mandatory national election, Bruce concluded, had generated considerable passions within and between the various parties and posed a grave threat to the continuation of the Pleven government. (Telegram 4237 from Paris, January 22, 751.00/1-2251) On February 7, Bruce reported that Pleven "has returned to find parties of his coalition as dissatisfied as ever with each other on electoral law." (Telegram 4661 from Paris, London Post files, lot 59F59, 350 France) For Ambassador Bruce's analysis of the immediate cause of the Pleven government's downfall and the prospects for future political stability in France, see the unnumbered telegram from Paris, Document 163.

[3] Documentation concerning the growth of widespread work stoppages in France during the first 3 months of 1951 is in file 851.062.

the voting district. However, in those departments in which no single list is able to win a majority of the votes cast the seats will be distributed among the parties on the basis of proportional representation as before. If this present bill should become the new electoral law (it has not yet been passed by the "upper house"—the Council of the Republic), its effect might be estimated as follows: the "third force" parties will probably control nearly two-thirds of the next legislature at the expense of the Communists and Gaullists. However, the shift of strength within the "third force" parties will probably be to the right. Such a shift may affect the economic program of the governments which will be relying on their rightist parliamentary majority.

[Here follow a brief summary of the history of French domestic politics and foreign policy since the Liberation of 1944 and a short passage on the background of the visit with the observation that while "There were no substantive questions which the Department wished to raise with President Auriol," the French "wished for discussion of the following subjects. The French and United States positions on these questions may be summarized as follows."]

US FINANCIAL AID TO FRANCE

French Position

The most important French financial problem is not one of meeting the dollar obligations arising from the French defense effort. Rather, the French have a very serious problem of raising francs internally to finance their overall 1951 budget, including increased military expenditures. The normal difficulties of the French Government in raising revenue are compounded by the fact that this is an election year in France. If possible, the French would like to receive freely-disposable US dollar aid, which they could partly use to create francs by discounting the dollars at the Bank of France.

US Position

1. The French budget is strictly a local currency problem which can be solved only by the French themselves. The only way in which the US may help is by financing essential dollar imports into France. Such imports may in effect be sold to French importers by the French Government, and the francs used for budgetary expenditures.

2. Financial assistance will be provided to France during the remainder of fiscal 1951 and in fiscal 1952 to the extent that France demonstrates a requirement 1) for dollar imports to support military production in France, or 2) for dollar imports necessary to support a healthy French economy, which is fundamental to any French defense effort. Continued financial assistance will be avail-

able provided 1) such dollar aid does not make possible an increase in French gold and dollar reserves, and 2) the US continues to be satisfied with the French defense effort. It is US policy that economic aid should not be extended to a country if the result is an increase in its reserves, except where the effect of withholding aid would be to hurt the defense effort. Negotiations are presently under way to determine the amount of financial assistance that France will receive during the remainder of fiscal 1951.

3. As Secretary Acheson stated in the talks with the French last October and again in January, [4] we believe that we cannot become directly involved in the local budgetary deficits of other countries. We believe that only by means of an increase in essential imports into France can US financial aid serve to provide increased local currency resources for the French Government. Such imports, by absorbing purchasing power, will serve as a most effective device to combat rising prices. In the same way, France may shift some part of the burden of rearmament to the other NATO countries in real terms only by developing an import surplus in her overall trade with those countries, rather than the large and increasing export surplus which has characterized French trade with Western Europe during the past eighteen months.

Recommendation

If the French raise this subject, they should be informed of the US position.

DELAYS IN THE PROVISION OF US MDAP AID

French Position

It is likely that the French will state their concern about the long delays and procedural obstacles involved in receiving raw materials, machine-tools and deliveries of military end-items.

US Position

The problem has been, in the first place, to obtain a satisfactory picture of planned military production in France together with a French program for imports of necessary materials and machine-tools required from dollar sources; and secondly, to complete our own review of the French military program and to suggest to them what changes we believe desirable. We are handling this matter through our missions in Paris, who have just received additional instructions on these subjects.

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[4] For documentation concerning the Franco-American financial and military talks in Washington during October 1950, see *Foreign Relations*, 1950, vol. III, pp. 1396 ff. For the substance of the January 1951 talks during the visit of Prime Minister Pleven, see Annex A to Document 154.

With respect to the delivery of military end-items, every effort will be made to provide the end-items programmed for France as quickly as possible. The French know that priorities of delivery are necessarily given to Allied forces in Korea and to Indochina. As production mounts, substantial acceleration of deliveries to all areas may be possible. Shipments already made to France under the MDAP include 180 aircraft, 7 vessels, 2320 tanks and armored vehicles, and 6627 trucks.

Recommendation

That the French be informed of the US position.

KOREA

French Position

France has consistently supported the action of the United Nations with respect to Korea and has sent a battalion of French troops in support of United Nations military operations.

United States Position

To bring the maximum possible collective pressure of the free world to bear upon the Communist aggressor in Korea so as to enhance the possibility of finding an honorable solution for the Korean problem and to deter similar aggression elsewhere.

Recommendations

It is recommended that President Auriol be given an expression of the appreciation of the United States for the fine service being rendered the Unified Command in Korea by the French battalion and for the constant support which the French Delegation to the United Nations has provided with reference to the United Nations resolutions on Korea.

The following points in relation to Korea might be reviewed with the President of France:

1. The United States has not changed its position in support of the basic objectives of the United Nations in Korea. Our military efforts to repel the aggression and to bring international peace and security to the area will continue.
2. It is the hope of the United States that continued United Nations military action in Korea will assist France in her efforts to repel Communist aggression in Indochina and will relieve military pressures in other Far Eastern areas.
3. At the same time, the United States, together with the other non-Communist members of the United Nations, is anxious to take full advantage of any developments which might ultimately lead to the acceptance of an honorable solution in Korea. Such a solution, however, must be without reference to political commitments in other areas.

THE FOUR POWER DEPUTIES CONFERENCE IN PARIS [5]

French Position

The French have so far maintained a united front with the British and ourselves in the Four Power talks. While the French would like to achieve the same type of agenda we desire, it is evident from private tripartite talks that they, as well as the British, are more willing to compromise with Soviet proposals than we in order to ensure that a meeting of the Foreign Ministers will be held.

United States Position

The US, together with the United Kingdom and France, has been striving to achieve with the Soviet representative an agreed agenda for a later meeting of the Foreign Ministers of the Four Powers. The principal point at issue has been the insistent attempt of the Soviet Union to obtain the agreement of the Western Powers to include on the agenda, as the first item and without relation to other issues, the subject of "German Demilitarization." The US has rejected this attempt and has insisted that Germany is not a cause but a result of existing international tensions which must be examined as a whole and in relation to each other. Fundamental to the US approach to achieving an agreed agenda is the maintenance of a united front with the British and French.

Recommendations

M. Auriol and M. Schuman should be informed that we attach the utmost importance to the maintenance of a common tripartite approach in face of the USSR; that we are confident that if we remain undivided and firmly insist upon a "neutral" agenda, the USSR will not make impossible a Foreign Ministers meeting by refusing to agree on an agenda satisfactory to all of us; that we will not accept the principal Soviet aim to have listed on the agenda as a separate item reference to the "demilitarization of Germany;" and that we prefer, should it prove impossible to obtain an agenda, to have no ministerial meeting rather than accept the serious political consequences of permitting the Soviet proposals to prevail and to subject the three Foreign Ministers to a time-consuming and unproductive series of meetings which the USSR desires primarily for propaganda reasons.

[Here follows a brief summary of the course of the Four-Power Exploratory Talks since their inception on March 5.]

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[5] For documentation on the Four-Power Exploratory Talks in Paris (Conference Palais Marble Rose), see vol. III, Part 1, pp. 1086 ff.

INDOCHINA

French Position

It is anticipated that M. Schuman will state that France is carrying the burden of the Indochina responsibility in as great a degree as her national and international commitments permit. In so doing she is carrying a more than equitable share of the burden of the free nations of the world in their defense against communism. Her recent decision to send reinforcements will be cited as additional evidence of this fact. France has loyally carried out its agreements to grant autonomy within the French Union to the Associated States. With the fulfillment of American assurances concerning aid, France is determined to fulfill her primary responsibility for French Union areas. The only eventuality which might lead France to a reconsideration of her role in Indochina would be a large scale Chinese attack. In that event France will require aid from her allies, including the US, to forestall if possible, a withdrawal or evacuation.

The French may refer to the complex nature of Vietnam internal politics and the practical considerations delaying the transfer of powers. They will cite their recent action in transferring customs and certain financial services as evidence of their good faith.

United States Position

There has been no important change in the US position regarding Indochina since the Truman–Pleven talks on January 29th and 30th, 1951. [6]

The US continues to recognize the seriousness of the threat from China and the extent to which the Chinese are supporting the Viet Minh. The US believes that every means within the power of the Associated States and the French Union must be brought to bear to assure the territorial integrity of the Indochinese peninsula. American military aid is being furnished to assist toward that end. The US is at present planning to continue to furnish military aid during the present and coming fiscal year, as outlined to M. Pleven.

The US continues to regard the defense of Indochina as being the primary responsibility of the French Union. The US is not prepared to intervene directly but would be willing to consider requests for logistic support in the event of an emergency such as a forced evacuation. The tripartite military conversations agreed upon during the Pleven talks will take place in the near future.

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[6] See Documents 149, 151, and 154.

In agreeing to proceed with its aid programs the US is confident that the French Government will interpret the various Accords with the Associated States as liberally as circumstances permit. The US looks forward to the early development of the National Armies. We are confident that the French will continue to furnish financial and military aid to the Associated States. American aid in all fields is designed to supplement rather than supplant French aid. The US continues to doubt the advisability of a general UN consideration of the Indochina problem.

Recommendations

It is recommended that the President and Secretary inform the French that there appears to be no need to revise the observations and conclusions reached during the discussions with Prime Minister Pleven. There are, however, one or two new problems and further developments in old ones which we would wish to draw to the attention of the French in order to confirm at the highest level the declarations of US policy made by our Ambassador in Paris and Minister in Saigon, and, in turn, obtain French official confirmation of assurances already given.

1. Reinforcements for Indochina

The US recognizes the fact that French Union Forces in Indochina must be supplied with the men and equipment required to assure the successful defense of the Associated States from foreign aggression and Communist-led and inspired internal insurrection. Any decision regarding reinforcements for French units in the French Union forces is primarily a French decision. The President should avoid any discussion relating to the necessity of submitting any such decision to NATO and any question regarding the latter's jurisdiction in the matter.

Discussion. General deLattre has received the approval of the French Government for the assignment of an additional 12,000 troops to Indochina as reinforcements for a maximum period of a year and a half. It is the opinion of General Bradley, concurred in by the Department, that the decision to provide French reinforcements should be a French decision in which General Eisenhower, as SACEUR should, if possible, not participate.

2. United States Intentions in Vietnam, Particularly as they Concern the Operations of our Military and Economic Aid Programs and Information Services

The President should make it abundantly clear that the US has no intention of supplanting French efforts in Indochina either at the present time or in the future. The US purpose remains one of furnishing economic and technical aid to supplement that being furnished by France in order to achieve our common objectives of national stability in the Associated States. The US trusts that this objective will be attained at the earliest possible moment in order to permit both France and the US to be relieved of their present

commitments. The President should request that Foreign Minister Schuman take the necessary steps to bring these assurances to the attention of those French officials, both in France and Indochina, who still labor under any illusions on this score.

Discussion. There have recently been evidences of an impression on the part of some French officials in Indochina that the US was endeavoring to replace the French as the western power primarily concerned with advising and assisting the governments of the Associated States in the conduct of their affairs. The matter has been the subject of discussion between our envoys and the appropriate French officials. Although assurances have been given to the contrary, the suspicion concerning the true nature of our motives persists and should be vigorously denied.

3. Transfer of Services to the Associated States

The President should indicate that he has noted with pleasure the recent transfer from French to local control of certain services and the steps currently in process to transfer certain others as provided in the Pau Accords. The US Government recognizes the difficulties entailed in effecting the transfer of other services yet trusts that the French Government will not relax its attention to the matter. Notwithstanding the difficulties it is believed that the furtherance by the Associated States of their foreign relations with friendly states through the assignment of representatives abroad has been delayed longer than might be explained by practical considerations. It is recommended, therefore, that the President urge M. Schuman to bring the influence of his government to bear upon the sovereigns of the three Associated States to enlarge their present representation abroad as rapidly and extensively as possible.

Discussion. The French have taken steps to transfer certain services to the Associated States in accordance with the Pau Accords. The speed and scope of the transfers have been delayed, largely for valid reasons involving practical considerations. It is believed, nevertheless, that the diplomatic representation of the Associated States abroad can and should be increased.

4. Recent Vietnam Cabinet Crisis

The President may wish to seek French confirmation of their government's determination to maintain a detached attitude in the internal struggle for power now taking place in Vietnam. The President may wish to attest to our appreciation of the complexities of the factors involved in Vietnamese internal politics and the dangers inherent in attempting any major alterations in the Bao Dai solution under the present circumstances of armed internal conflict and threatened invasion from abroad.

Discussion. The new cabinet in Vietnam was established on March 3, 1951, only after considerable negotiation and maneuvering between Bao Dai, Prime Minister Huu, and other protagonists. Although the French maintained a policy of nonintervention during the unfolding of the crisis, General deLattre did intervene in an advisory capacity, particularly in prodding Bao Dai on to action in resolving the impasse. General deLattre's role, although

not interventional in an unwarranted sense, was evident in connection with the Bao Dai-Huu tension which was ultimately, if temporarily, set aside in the formation of a cabinet under Huu. In the thought that the present government will fall in the near future, French views on its possible successor are sought.

MIDDLE EAST DEFENSE—MALTA TALKS

Background

On January 23-24 Admiral Carney met at Malta with General Sir Brian Robertson, the British Commander in Chief of Middle East Forces to discuss the defense of the Middle East.

During his conversation with President Truman on January 30 Prime Minister Pleven said that the French desire to participate in any strategic conversations such as those held in Malta. President Truman said that neither the Secretary of Defense nor the Secretary of State had any intention of cutting the French out of any conversations.

Ambassador Bonnet requested on Saturday, March 10, that the French be invited to participate in conversations that were to be held in Malta on Monday, March 13, between Admiral Carney and General Robertson. Ambassador Bonnet was informed that in view of the question of the principle raised by this request, the position taken by the British Government on a similar request made of it, and the shortness of time, it was impossible for us to accede to the French desire. [7]

On Friday, March 16, Ambassador Bruce was handed by Ambassador Parodi a strong note signed by Mr. Schuman reflecting the decision taken that morning by the Cabinet regarding the Malta Conference. It outlines in considerable detail France's interests in the Near East, her desire to fulfill her responsibilities in that area, the unfortunate repercussion both political and military of the Malta Conference to continued US-UK and French collaboration and concludes with the hope that "in the general interest of the Western powers the Government of the United States will take measures with a view to preventing the recurrence of the incident caused by French absence at the Malta conversations and that it will define with full clarity its position regarding the association of France with the organization of the defense of the Near East."

In handing this protest to Ambassador Bruce, Parodi referred to President Truman's assurances to Mr. Pleven. He also stated that

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[7] The conversation summarized here is the subject of a memorandum by Webb, March 10. (770A.5/3-1051)

the French are inclined to attribute their exclusion more to the British than to ourselves. [8]

At the same time the French delivered a similar, but stronger, note to the British.

The deep interests of France in the Western Mediterranean are self evident. Her position in Morocco, Algeria and Tunisia, her sovereignty over Corsica, as well as her continental position on the Mediterranean, give France as great an interest in Western Mediterranean affairs as any nation in Europe. With regard to the Eastern part of the Mediterranean, France's interest stems from the economic, cultural and political position it enjoyed until recent years. The French Government has made clear that it now regards the petroleum resources in the Near East and the communications to Indo China and other territories of the French Union via the Suez Canal as of capital importance to the vital interest of the French Republic. The United Kingdom and France have a treaty relationship with Turkey which France considers as being ample evidence of the importance she attaches to the general area of the Middle East. France does not believe that it is possible to isolate Western and Eastern Mediterranean affairs.

France's position in the Near East has suffered a marked decline since the beginning of World War II. During the period of her mandate in Syria and Lebanon she exerted strong political, economic and cultural control. However, her popularity declined over the period of years and with the fall of France in 1940 it reached a low point. When these two countries became independent several years later, it was clear that there was a strong antipathy toward any French military, economic or political influence in the area. This antipathy continues up to the present moment. There is no sign that it is likely to decrease. France has one major interest in Iraq in the form of a 23 percent share of the Iraq Petroleum Company. French cultural influence continues strong in Egypt and Lebanon, and France has displayed a keen interest in the Holy Places of Palestine.

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[8] A translation of the French Note protesting exclusion from the Malta talks of March 13 is in telegram 5472 from Paris, March 16, and a summary of the Bruce–Parodi conversation which accompanied the note is in telegram 5477 from Paris of the same day. (770A.5/3-1651) At the Secretary of State's daily staff meeting on March 26, Assistant Secretary of State for European Affairs Perkins reported "that Alphand has told Admiral Carney that the French were not really interested in the Malta talks but were attempting to secure agreement on the French participation in all global strategy talks involving the U.S. and U.K. In response to the Secretary's question, Mr. Perkins said we had still no reply to the British as to the line we proposed taking with Auriol and Schuman regarding these talks." (Secretary's Daily Meetings, lot 58D609, March 1951)

It has been the opinion of the United States Government that the prestige of France in the Middle East had declined to such an extent that it would not be possible for France to make any useful contribution in the political or military fields for the time being. NSC 47/2, "United States Policy Toward Israel and the Arab States", approved October 17, 1949, states: "There should also be close United States–United Kingdom collaboration wherever possible to achieve the basic objectives. In addition, the United States should bear in mind the desirability of collaborating with France and with Turkey and with other Moslem non-Arab states in the area for the same purpose whenever it is feasible and practicable."

NSC 47/5, "United States Policy Toward the Arab States and Israel", approved by the President March 17, 1951, was prepared for the purpose of developing a policy for the United States to follow in the Arab states and Israel during the cold-war period. It has been felt during the past several years that our approach to the area on matters relating to the defense of the area could only be done in collaboration with the United Kingdom. The opposition which would be engendered in the Arab world if France were to participate in defense arrangements has been repeatedly made clear by spokesmen of Near Eastern countries. Recent manifestations of French policy in Morocco have further decreased French prestige in the Near East.

The United States has attempted to cooperate with France in the Near East wherever possible, taking into account the limitations imposed by the decline of French prestige. In this connection, we have participated with France and Turkey on the Palestine Conciliation Commission since 1948. Similarly we have collaborated on the settlement of the Arab refugees. In May 1950, the United States, United Kingdom and France participated jointly in the issuance of the Tripartite Declaration which was addressed to the question of the shipment of arms to the Near Eastern area. [9] However, this is the extent to which the United States has felt that it would be politically possible for us to go in collaborating with France.

Recommendations

In discussing the question of the Malta Conference with Foreign Minister Schuman it is recommended that you take the following line:

We sincerely regret the amount of publicity received by the recent meeting between British and American commanders of forces in the Middle Eastern area. The purpose of this meeting was

[9] For text of this declaration, transmitted in a circular telegram from Washington, see *Foreign Relations*, 1950, vol. v, p. 167.

merely to discuss together our appraisals of the military situation in the Middle East.

Although the United States Government is firmly convinced of the necessity of the multilateral approach to European problems and to certain other questions of mutual interest, it nevertheless believes that there are many questions that can be best handled on a bilateral basis, as recently shown by the Carney–Lambert talks, the Franco-Italian naval discussion, General Hamilton's meetings with the French Air Force officials, and General Juin's meetings here in January.

The relationship of the Mediterranean area to other defense plans has not been clarified. The United States desires to discuss this matter further with the French military authorities and accordingly proposes that there be held in Washington in the near future a meeting between French, British and American officials on the standing group (not the standing group per se), plus such additional personnel as any of the three powers might want to attend. At this meeting the general conclusions arrived at at the Malta talks would be outlined and the United States Government would be prepared to discuss the relationship of the Mediterranean area to General Eisenhower's command and to the British Command in the Middle East. As the Malta talks were concerned with technical military questions relating to American and British forces, you might wish to say to Mr. Schuman that these questions can be more appropriately discussed by military representatives.

The United States representatives at this forthcoming meeting would be prepared to consider the possibility of holding technical discussions of Mediterranean matters, if desired, on French soil between French, United States and United Kingdom naval commanders. Such a meeting, however, would undoubtedly create additional problems in that other Mediterranean countries, such as Italy, Greece, Turkey and possibly certain Arab States, might desire to participate therein. This matter would therefore have to be further discussed at the Washington meeting.

Mr. Schuman will undoubtedly inquire as to the United States Government's position regarding the association of France in organizing the defense of the Middle East (interpreted by us to include Turkey, Iran, the Arab States and Israel). It is suggested that you reply that this is a problem that will have to be worked out and that you continue as follows:

1. The establishment of an organization for the defense of the Middle East should, in our opinion, conform to the desires of the governments in the area as well as the governments which are prepared to contribute forces to the defense of the area.

2. Similarly, while the United States believes that all possible steps should be taken to strengthen the Middle Eastern area, with due regard to the requirements of the NAT area, nevertheless this must be in response to the expressed will of the governments concerned.

3. The United States desires to carry out in close cooperation with France and the United Kingdom, the purpose of the Tripartite Declaration (Tab A). [10] (Mr. Schuman will recall that this declaration was addressed to the question of the shipment of arms to the area and contained an expression of interest on the part of three governments in the maintenance of peace between the states in the area. It was not designed to deal with general defense of the area against external aggression.)

[10] Not printed, but see footnote 9 above.

No. 158

Conference files, lot 59D95, CF 51

United States Minutes of the Meeting Between President Truman and President Auriol, Cabinet Room of the White House, March 29, 1951, 10:30 a.m.

SECRET

Present:

France

Vincent Auriol, President of the French Republic
Robert Schuman, Minister of Foreign Affairs
Henri Bonnet, Ambassador of France to the United States
Bernard Beck, Counselor, Ministry of Foreign Affairs
Robert Cru, interpreter

United States

The President of the United States
Dean Acheson, Secretary of State
David K.E. Bruce, Ambassador to France
W. Averell Harriman, Special Assistant to the President
Joseph H. Short, Secretary to the President
George M. Elsey, Administrative Assistant to the President

President Truman opened the meeting by stating that he would be very glad to hear whatever statement the President of France cared to make.

President Auriol said he wished to begin by thanking President Truman for the fine reception that he had had, and his pleasure at being in Washington. He would mention only general policies because foreign policy was in the hands of M. Schuman, who would be discussing details with the Secretary of State. President Auriol

said that he was able to confirm the statements and agreements made by Premier Pleven in January. He was glad to do that in the name of his country. There had been no change in French policies, even though there had been a change in the Cabinet. When M. Pleven returned to France in January, there had been general debate in the Assembly and in the Senate, and there had been unanimous support for the policies which M. Pleven had described to President Truman. This was true even in the Assembly, where the situation was sometimes difficult.

President Truman interrupted to say that he knew what that was like since he had Congress to deal with.

President Auriol wanted President Truman to know that the armament plan which had been discussed in January is now under way. It is moving ahead despite three things which had occurred. The first of these was the ministerial crisis. That had not been serious. It had only lasted about ten days, and the new cabinet was about the same as the earlier one. The crisis had not affected the work of the Government at all; it certainly had not affected foreign policy. The second incident which had occurred was the strike. That was over now and it had not seriously affected production or armament. The third incident was a visit of General de Lattre de Tassigny, who had come back to France asking for reinforcements for his forces in Indochina.

It was important that everyone understand, President Auriol continued, that recent strikes were a consequence of price increases and a rise in the cost of living which, in turn, is due to increases in the price of raw materials. The strikes were purely economic. They were not political like the ones which occurred in France in 1947 and 1948. Those were strikes of a very serious political nature, and the communists had caused a great deal of trouble. The situation is different now and the recent strikes were very different. The communists tried to exploit these and they had failed entirely. The climate is entirely different from that of two years ago, and this is true in spite of the heavy burdens which the French people find themselves carrying.

President Auriol wanted President Truman to know how grateful the French people are for the generous help of the Marshall Plan, which has produced remarkable results. Production is now 40 percent above that of 1938. Even with this help, there are heavy burdens. There is still much reconstruction necessary to overcome the destruction of the war. The rearmament program is a heavy burden, because it consumes energies that otherwise could be turned to reconstruction. Still another burden, also very serious, is the fighting in Indochina.

President Auriol said that he wished to assure President Truman as forcefully as he could that, despite these burdens, despite the disagreements which led to ministerial crises and strikes, France is a country united in her determination never to accept another occupation. The French people are united in their determination to protect themselves against aggression. They have decided to rearm, and to fight if necessary. The French people, said President Auriol, are hurt when they read accounts in newspapers about their not fighting or their not wanting to defend themselves. They *will* fight.

France would like, President Auriol went on, to have collective security through the United Nations. Since that is impossible, France will go "all out" for the Atlantic Pact and a system of regional security. France accepts without hesitation all the responsibilities of the Atlantic Pact. The French know that there would be nothing left of the country after a Soviet occupation. Of course, France could be "liberated" after an occupation, but it would not be France. It would be a corpse. The whole social structure would be different. The same things would happen that are now going on in Eastern Germany; the country, the society, the people in Eastern Germany are deeply and profoundly changed. France wants to avoid that at all costs.

President Auriol said he understood how it was possible for false reports to appear in the papers to the effect that France would not fight. Sometimes even Frenchmen give false information to newsmen—false information or false impressions. When they are in politics, they sometimes forget about their country. When they are in a campaign, they sometimes say things they shouldn't. The truth is that the French people will fight to defend their country and any statement that they will not is false.

President Auriol then turned to the question of Indochina. In his recent visit to Paris, General de Lattre had reported in full on conditions in Indochina. The situation there has been very considerably improved since General de Lattre first went out. He has had wonderful success. The political situation is improved, also. To emphasize their determination that the Associated States should be independent and self-governing, President Auriol and M. Schuman have been pressing Emperor Bao Dai to hold popular elections. It now seems that Bao Dai will create a consultative assembly, looking toward the day when a general election can be held throughout the country and a regular assembly elected. This election will be held as soon as the military situation permits.

While General de Lattre was in Paris, he asked for 15,000 men, more planes, and more artillery. It was very difficult to refuse him, because he knows what he needs. He has already thrown back two offensives. He sees a third one coming up. Of course, he wants to

throw that one back and then take the offensive himself. Taking all things into account, the French Cabinet decided to give General de Lattre most of what he wanted. President Auriol explained that this had been a very difficult decision to make. Moch, the Defense Minister, was very reluctant to give more men to General de Lattre but President Auriol and Foreign Minister Schuman had insisted. Moch then gave General de Lattre twelve battalions—12,000 men. The troops which will be sent out to Indochina will be colonial troops from North Africa, but by sending these twelve battalions, France may have difficulty in raising the ten divisions by December of this year which the rearmament plan calls for.

Secretary Acheson interrupted Ambassador Bonnet, who was translating for President Auriol, and asked him to explain what he had meant when he said that France might not be able to raise the ten divisions.

Ambassador Bonnet said that, as the Secretary knew, France had promised to equip ten divisions by the end of 1951. Because 12,000 more men were going to be sent to Indochina than had been planned, it might be that France could only equip nine divisions by the end of December. This did not mean any permanent lowering of French plans, but only a delay. General de Lattre expects to send the twelve battalions back by the summer of 1952, since by that time he will have created twenty-five new Viet Nam battalions. The tenth division promised for Europe should be ready by mid-1952 and there would, at worse, be a delay of only six months. Perhaps Mr. Moch was a little pessimistic in this. Perhaps they could do better.

President Auriol said that he was sure the President understood that it is a matter of arms and weapons that causes delays. It is not a question of men. There are very large reserves. If there were plenty of weapons available, tremendous forces could be raised in almost a few hours. Whenever the question of building weapons can be adequately answered, France will be able to do much better.

At this point, M. Schuman explained how the sending of a few thousand men to Indochina could cause a delay in all of their plans. The losses in Indochina are largely losses of officers and non-commissioned officers. To replace these, there is a very heavy proportion of officers and n.c.o.'s going out in the twelve battalions from Africa. Losing these cadres makes it more difficult to raise an army at home at the same time. Also, the government will have to go to Parliament for a new law to extend compulsory service to a term of two years, and there will have to be a new law to raise the pay of non-commissioned officers to make service more attractive to them and to keep them from leaving at the end of their terms. It is the intention of the government, M. Schuman said, to ask the

new Assembly to vote on those measures after the general election, which will probably be in June. The government does not want to ask the present Assembly for these new and necessary laws. This delay in getting the new laws will be responsible for some delay in the rearmament program.

President Auriol spoke again, this time on the German question. He fully realized, he said, that France and Germany cannot be enemies forever. The French people are ready to offer the German people their confident friendship. They ask only that the German people not forget what they have done to France and to Europe twice in recent years, and that there be a truly democratic government in Germany. It is this desire of the French people to come to friendly terms with the Germans that has led the French government to advance the Schuman Plan and to take leadership in getting that plan accepted. He added that the French government is also considering a similar proposal in the field of agriculture. It is this desire to bring Germany into the European family that has led to French initiative in establishing the Council of Europe. It is for this same reason that the French government would like to see a European army, with German units in it. France desired to see a rejuvenated Europe with full German participation.

President Auriol said that, of course, France wanted Great Britain to be a part of a united Europe. Europe would not be complete without Great Britain and the British would be helpful in keeping a stable and well-balanced continent.

President Auriol said he would like to give President Truman his personal feeling about Germany which he thinks most French people share. Will Germany ever give up the hope of being reunited? He doesn't think so. If western Germany is not in a united Europe, the west Germans could make a deal with the USSR to get back some of the territories they had lost, or they could prepare for war. They could build up an army and try to take back by force the lands of eastern Germany. Either of these would be bad. Therefore, France wants a united Europe with Germany in it.

President Truman said that he appreciated most highly the frankness with which President Auriol had spoken. He was glad that he had spoken freely and fully on the subjects which were uppermost in his mind. As for himself, President Truman said, he wanted to state that the United States is a traditional friend of France, it always has been and he hoped that it always would be. He thought that President Auriol should remember, however, that we have certain limitations in this country and we cannot always do all that we would like to be able to do for our friends.

The United States suffered comparatively light manpower losses in the first World War and our losses were not too great in the

second World War. But, President Truman said, our material contributions have been very great. They have put a very heavy burden on all the American people. Our contributions did not stop with the winning of the war. Since World War II, while he didn't have the exact figures at hand, the President said he thought that we had spent about one hundred billion dollars for the rehabilitation of other countries—of *many* other countries. Our resources are not inexhaustible. We can't go on like this, and we can't do the whole job ourselves. That is why we have been so anxious for industrial countries like the western European ones to get back on their feet, and to help us share the load.

Furthermore, President Truman said, we have a great deal of difficulty in this country in keeping the interest and the support of our people in these vital and necessary measures to build a stable and peaceful world. There is a terrible problem of complacency in the United States. Right now, it's bad in Congress. It is going to be very difficult to get appropriations through this Congress, both for the military program and for the foreign economic program. To overcome some of the complacency and suspicion, we must have a strong showing from our allies of what they are doing in the common cause. Otherwise, we won't get what we need from Congress.

President Truman said he was sure that he understood the feelings of the French people about Germany. If we were in French shoes, we would feel the same way. One of the greatest things in history, Mr. Truman said, is the Schuman Plan. It is a remarkable proposal, and one that would have been impossible thirty years ago. He honored and admired the French for that proposal.

President Truman said that he thought the Schuman Plan demonstrated that we now have a new approach to peace. Thanks to the United Nations, we are approaching our problems in a new spirit. Never before in history have the victors worked to restore the vanquished. Never before in history has a country stretched itself to the breaking point to rehabilitate its enemies. The President said that he wanted these unprecedented endeavors to be a success, and he thought they would be. But we must not let any details interfere with these great goals we have in mind. The big thing we want is peace and we have big plans for it. We must not let minor disagreements about details get in the road of what we all want so earnestly.

The President remarked again that he was highly appreciative of President Auriol's statements. He was glad that the President of France had come to Washington and he hoped that this visit would cement good feelings between the French people and the American people. As for further detailed discussions, he thought that the Sec-

retary of State and the Foreign Minister and the Ambassadors could go into them. He did not think that he and President Auriol needed to go into any details.

As a personal token, President Truman said he would like to give a personal gift to President Auriol. President Truman then presented President Auriol a set of book-ends, made from wood and stone removed from the White House during its reconstruction. President Auriol thanked President Truman warmly for the gift. The two Presidents shook hands, and the meeting adjourned at 11:34 a. m.

The following agreed statement was subsequently released to the press: [1]

"The President of the French Republic and the President of the United States conferred today for one hour on the common problems of their two countries.

"The President of the French Republic outlined to the President of the United States conditions in France, the progress of the French rearmament program and the present situation in Indo-China where French forces and forces of the Associated States are successfully opposing communist aggression. The remarks of the President of the French Republic included a statement that the French people were determined to defend themselves against foreign aggression and that, in this spirit, they were giving all-out support to the North Atlantic Treaty Organization. He emphasized that all these efforts were directed toward the maintenance and strengthening of peace.

"The President of the United States stated that he was encouraged by President Auriol's remarks and expressed his confidence that peace could and would be maintained and that the democratic peoples would preserve unshakeable unity in pursuit of their great objective: peace for all the world."

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[1] The text of this agreed statement is printed in Department of State *Bulletin*, April 9, 1951, p. 563.

No. 159

Editorial Note

The first of the three conversations between Secretary of State Acheson and Foreign Minister Schuman took place on March 29 and was concerned exclusively with problems raised at the Four-Power Exploratory Talks then taking place in Paris. For minutes of this first meeting, see volume III, Part 1, page 1112.

No. 160

Conference files, lot 59D95, CF 51

United States Minutes of the Second Meeting Between Secretary of State Acheson and Foreign Minister Schuman, Washington, March 30, 1951, 8:45–10 a.m.

TOP SECRET

Participants: The Secretary
Mr. Harriman
Mr. Bruce
Mr. Perkins
Mr. Bonbright
Mr. O'Shaughnessy
Mr. Schuman
Mr. Daridan
Mr. de Juniac

Proposed CFM

The Secretary began the meeting by saying that our telecon connection with Paris last night had been bad and we had not succeeded in getting through to Mr. Jessup until very late. The latter had, therefore, been unable to see Mr. Parodi and Mr. Davies last night. Mr. Jessup had doubted the possibility of being able to carry out today the suggestion contained in the joint message from Mr. Schuman and Mr. Acheson. He thought that they would reserve the "Parodi formula" for use in case the Western Deputies are not able to get the Soviets to improve their latest proposal.

Mr. Jessup indicated that they would try to get a closed session of the Four Deputies today and if successful we would explore the latest Soviet proposal with a view to trying to bring it more in line with the Western proposal of March 15. Mr. Schuman did not express any objection to the above.

Mr. Schuman inquired whether Mr. Jessup had conveyed to the Secretary any impressions regarding the Russian attitude. The Secretary replied that in Mr. Jessup's opinion the Soviets had made an effort in our direction in their latest proposal and that the Soviets apparently want a meeting of the Four Ministers. He thought that perhaps the Soviet Delegate would move even further.

Middle East Defense—Malta Talks

Mr. Schuman recalled that some ten days ago the French Government had addressed notes to the U.S. and British Governments which expressed "a certain emotion" regarding the two Malta conferences. He said that while he quite understood the necessity for

such talks he believed that the amount of publicity which the matter had received had been most unfortunate. French public opinion, he said, was always slightly suspicious of British policy in Arab countries and when the Malta conversations became public knowledge the French Government felt that it had to send these notes. Mr. Schuman said that he was not complaining about the past but that the French Government would appreciate being reassured regarding the future. It was impossible to organize the defense of the Middle East and of Western European interests in the Middle East without a global use of all our resources and without a common strategic view of the whole theatre of operations which he considered indivisible. Our strategy must be global. The theatre must be considered in its entirety and the Eastern and Western Mediterranean can not be divided. North Africa is there and the Allied Command of the Mediterranean might be based there. Mr. Schuman said that the French have special interests and commitments in the Near East and referred to France's treaty with Turkey which provided for automatic intervention in the event of aggression as well as their special relations with Syria and Lebanon to whom, with U.S. and British approval, the French furnished arms and other types of military cooperation. It was, therefore, essential that France be represented in any conversations about this area. France's absence from the Malta talks had already received an unfortunate interpretation in Arab countries. The question was not one of prestige but one of substance. Mr. Schuman recalled that in May 1950 a tripartite declaration was made which had excellent results in the Middle East.

Mr. Schuman said that he did not wish to go into detail in regard to what should be done, but he had always believed that the Standing Group [1] would play a preponderant role in the common strategy. Today its activities were juridically limited to the NAT area, but there were already the beginnings of a change in this concept since we have allowed the Standing Group to have contact with the Greek and Turkish General Staffs. Also, he said, the Standing Group took the initiative for a conference at Singapore on the Far East. These were examples of the beginning of an evolution which the French Government would like to see continue. He wished the U.S. Government would study this idea and then, in agreement with the British, let the French Government know what can be done along these lines. The French Government was actively studying the extent to which it could contribute to the defense of the Middle East. It already had naval forces, and bases in North Africa, and the question of bases in Tunisia was soon to be raised.

[1] Standing Group of the North Atlantic Treaty Organization.

The French Government believed that discussions regarding a coordinated effort must begin now.

The Secretary replied that we had given the French note close study and discussed the matter fully with the Department of Defense. These were, however, very complex questions. We, of course, regret the publicity surrounding the Malta talks to which Mr. Schuman has alluded and in so far as it is our responsibility we have taken steps which we hope will avoid its repetition.

The Secretary said that he agreed with Mr. Schuman about the necessity of having flexibility in our approach to these problems and that there was room for both multilateral and bilateral approaches to them. There are questions which can best be handled bilaterally as shown by the recent Carney-Lambert talks, the Franco-Italian naval talks, General Hamilton's meeting with the French Air Force, etc. The Secretary said that one of the most pressing aspects of the problem was the very confused command situation in the Mediterranean and the first effort should be made there and the divergent points of view reconciled. It has occurred to us to have a meeting here in Washington soon between French, British and American officials of the Standing Group, but not meeting as the Standing Group. Associated with these officials could be such other personnel as the governments might wish to include in the talks. This meeting would not be prejudiced by the Malta talks. Inquiries had been made regarding the nature of the Malta talks and Admiral Sherman had told us, after checking with Admiral Carney, that this had been a technical meeting between two Commanders of forces stationed in that area regarding certain problems which might arise in case of an attack. It was necessary to appraise the danger of our forces and consider how best to protect them.

If the meeting which we propose takes place the French participants will be informed of the conclusions of the Malta conversations re dangers in that area. The Secretary continued that we all agree that the first effort of the meeting should be to straighten out the Mediterranean defense command situation. The meeting could then discuss the desirability of conducting further meetings to assure the coordination of military questions in the Mediterranean and military matters in the Middle East. The advisability of holding another such meeting in France in the future could also be considered. This would, of course, pose certain problems as other countries will undoubtedly wish to participate in these meetings, such as Italy, Greece, etc. For this reason we should proceed with caution and avoid confusion. Mr. Schuman expressed his agreement.

With regard to the general situation of Middle East defense the Secretary said that the May 1950 declaration was a helpful beginning but did not create strength in the Middle East. The problem was how to increase strength in the area. There were many divisive factors in the Middle East, i.e., Israeli vs. Arabs, etc. Whatever is done in the Middle East must be satisfactory to the local governments. We have studied this problem at some length but have not come up with any brilliant solution as yet.

Mr. Schuman said that Secretary Acheson's answer had given him full satisfaction. He did not expect a complete solution and the French too would suggest continuing study and the exercise of great caution. A discreet meeting in Washington, he felt, would be the best way to begin. He would so inform his Government and he knew that the French Government would appreciate the Secretary's suggestion. He was not surprised to find understanding of the French problem here. What France wanted was to bring effective help to the common cause.

Mr. Perkins suggested that, with regard to the time for holding the meeting, it did not seem feasible to hold it for at least another month or six weeks. Our ideas on the subject were not clear and our military want to give it further study. We must also consider what we will say regarding the meeting because of possible difficulties with other countries. We have discussed in principle with the British what the Secretary had outlined and they agree with us.

Mr. Schuman said that the French were in liaison with the British and that the latter had offered to send someone to Paris to inform them with regard to the outcome of the Malta talks. Mr. Schuman smilingly expressed the hope that more discretion would be practiced at the tripartite meeting than had been shown at the bipartite meeting but was not certain that this was possible. He felt that certain quarters in Paris, including some members of the Government, would like to move faster on closer cooperation but he felt sure that his reply would satisfy these people.

Indochina

Mr. Schuman said he would like to discuss frankly the difficulties which the French had run into in the past weeks with regard to Indochina. General de Lattre's successes had brought about a great improvement in the military, psychological and political situation in Indochina. The General, however, had asked for reinforcements. The French were already finding it difficult simply to maintain their forces at the present levels owing to heavy losses in cadres in January. In February things had gone better but should the Viet Minh launch an offensive there was a risk of very serious gaps. Cadres, namely, officers and non-coms, were the greatest dif-

ficulty. It was a question of trained leadership and not a budgetary matter, nor one of matériel. The problem of cadres existed not only in Indochina but in the European forces as well. An added drain on French cadres was the necessity of using Frenchmen to train the Vietnamese army. In Europe instructors were needed also and everything had to be done at the same time. The problem of replacement of losses in Indochina, the creation of the Vietnamese army and of new divisions in Europe had faced the French Government with the necessity of seeking new legislation regarding military service which would change the present duration of military service from 18 months to two years. The French Assembly would naturally be reluctant to vote such a measure on the eve of elections. The new law would involve not only a prolongation of military service to two years but the use of conscripts, in Indochina as well. Therefore, Mr. Schuman felt the French Government must wait for a new parliament to be elected and there will, therefore, be a delay in the forming of European divisions, the Vietnamese army and the reinforcements of the expeditionary corps in the Far East.

The Secretary asked whether the reinforcements of 12 thousand troops to which President Auriol had alluded meant new military units or whether they represented cadres and additional troops. Mr. Schuman replied that the increase in forces, he believed, consisted of some complete units as well as an increase in cadres. At any rate, General de Lattre seemed satisfied. Mr. Schuman said that he had had a personal conversation with General de Lattre and the latter assured him he would have 25 Vietnamese battalions plus cadres fully equipped and ready to fight by July 1, 1952, and that at that time the 12 battalions sent to Indochina would return to France and be put at the disposal of the NATO command.

Mr. Schuman said that we must have confidence in General de Lattre. He has some 300 thousand men under his orders in Indochina and it was hoped that he would be able to do a great deal to rally the Vietnamese to our side.

Mr. Harriman asked Mr. Schuman whether General de Lattre was satisfied with the present schedule of deliveries of U.S. military equipment to Indochina. Mr. Schuman quoted General de Lattre as saying that there was a delay of some three months according to the original schedule but that shipments were arriving regularly and that he was quite satisfied. The delay had occurred at the beginning of the program but things had improved to General de Lattre's complete satisfaction.

The Secretary said that we shared the encouragement brought about by General de Lattre's successes. We recognize the French difficulties regarding the problem of troop replacement. A similar

problem faced us in Korea. However, it is a matter for the French Government to decide and he was certain that its decision would be a wise one in both the NATO area and Indochina.

In closing Mr. Schuman said that he felt that there was increased solidarity between us on the questions relating to Indochina. Indochina is just as important as Malaya and Korea. Basically the difficulties were similar and required a similar solution.

No. 161

Conference files, lot 59D95, CF51

United States Minutes of the Third Meeting Between Secretary of State Acheson and Foreign Minister Schuman, Washington, March 30, 1951, 6–7 p.m.

TOP SECRET

Participants:

The Secretary	Mr. Schuman
Mr. Harriman	Mr. Daridan
Mr. Bruce	Mr. de Juniac
Mr. Perkins	
Mr. Rusk	
Mr. Bonbright	
Mr. O'Shaughnessy	

The meeting began with a briefing by Mr. Armstrong on the present military situation in Korea. Mr. Schuman expressed keen interest.

The Secretary then asked Mr. Rusk to speak on recent developments.

Mr. Rusk said that powerful forces were still being built up on the enemy side and that there was evidence of preparation in China for a continued effort in Korea. We could look forward to a substantial offensive. Prisoners have referred to it. On the American military side our position seemed precarious because a big battle appeared to be coming. General Ridgway's mission is strictly a defensive one in spite of the fact that his recent advance may have led to the belief that it was already in a position to start an offensive. In fact he has merely shifted his defensive line further north. The danger is due to the weakness of his reserves, which at the present moment are constituted by a British brigade in the West and a French battalion in the center, and to the unfavorable weather conditions which restrict air operations and complicate the supply problem.

On the political side there was no evidence of any willingness on the part of the Peiping Government to negotiate. The Peiping radio has announced that the UN forces should be driven out and that a military offensive was coming. We do not think that the Chinese will undertake any political action until they see the results of their offensive.

Mr. Rusk described the latest British proposal about a statement on the Korean situation. The British proposal was designed to see whether further military operations could be avoided now that the UN forces were near the 38th parallel. The British felt certain that the Chinese would not cooperate with the Good Offices Committee (GOC) and it therefore should be considered whether the GOC objectives might not be obtained by other means. The British proposal included a statement of policy regarding Korea, agreed to by all countries with forces in Korea, with the possible addition of India and of Sweden and Denmark which have contributed medical services. Mr. Rusk said that he had suggested to the British the addition of such countries as Norway, which had contributed shipping facilities and Colombia which had troops on their way to Korea.

The British proposal comprised: 1) a joint declaration of all nations with forces in Korea, expressing their desire to see an independent unified Korea and the withdrawal of all foreign troops and their readiness to achieve these objectives by negotiation rather than by military means; 2) a simultaneous additional declaration by President Truman in his capacity as Chief Executive of the state providing the Unified Command to make it plain that the military implications of the policy outlined in the declaration were fully accepted by the Unified Command; and 3) after publication of these two statements an approach to the Chinese and perhaps to the Soviets drawing their attention to this joint declaration, expressing our desire for a peaceful settlement and inviting the two governments to express their views as to the best means of bringing this about. The approach to the Soviet Government would be on somewhat different lines from the approach to Peiping and might be made by France, the U.S. and the U.K. The approach to Peiping might be by India and the U.K. The Swedish Government might consent to transmit the message.

Mr. Rusk made the two following comments: 1) this problem was difficult because an immediate cease-fire order might be contrary to the military requirements of the situation, since it would imply, for example, cessation of all UN aerial activity, and this might permit the enemy to build up his ground forces in such a manner as to endanger the very existence of the UN forces; and 2) the *démarches* in Moscow and Peiping might give an opportunity to those two governments for a maneuver aimed at the breaking up of the

unity of the Allies. Mr. Rusk said that the British had told him that their proposal had been made known to the French Government.

Mr. Schuman said that the proposal sounded interesting and deserving of consideration. It would, of course, have to be studied. Mr. Rusk said that we had asked the British for further clarification of their proposal. The Secretary added that he hoped that if Peiping and Moscow were approached they would come up with different answers. Mr. Schuman said that perhaps three different statements might be too many. Mr. Rusk stated that this might all be academic since the Chinese seemed determined to proceed with their military offensive and not take any political action before that. Mr. Schuman inquired whether London was aware of the military situation. Mr. Rusk replied that they perhaps were not completely briefed on the developments of the past three days. The Secretary added that this posed a very difficult problem for President Truman. General MacArthur's unexpected statement [1] had added to the confusion. President Truman had withheld comment until he had time for consultation with the other powers. Once the various points of view had been coordinated a concerted effort for a peaceful settlement could be made. Mr. Rusk added that keeping in touch with 14 governments is a difficult method of forming policy and does not represent an easy technique. This brought up the question of whether all 14 countries should have to define the policy to be followed. It must be borne in mind, however, that the general policy remains unchanged as it was defined by the UN but due to the fact that the General Assembly is not in session and that the Security Council is paralyzed by the Soviet Union, the 14 governments in question appear to be the group best suited for defining any international action which may be necessitated by the circumstances of the moment. Mr. Schuman asked whether the British did not want to add to the 14 countries. Mr. Rusk replied that they did. Mr. Schuman asked whether the 14 governments should take a position on the basis of the British proposal. The Secretary clarified that in his last remarks. Mr. Rusk referred to the US proposed statement and that it was not suggested that the 14 governments should define a new policy but stated that President Truman as the Chief of State of the country designated as the Unified Command could consult with the 14 countries in order to determine how the policy laid down by the UN could be best complied with and how a specific solution could be best reached. How-

[1] For documentation relating to General MacArthur's statement of March 24 proposing a conference between himself and the enemy commander in Korea, see vol. VII, Part 1, pp. 264 ff.

ever, in principle, the policy determined by the UN was still being followed.

Mr. Schuman asked whether there was any indication of a disposition on the part of the Chinese to negotiate. The Secretary answered that there was none whatever. Mr. Rusk said that the basic Chinese condition had remained the same for months, namely, withdrawal from Korea and Formosa and a seat in the UN. Their policy was to force the UN troops to evacuate Korea. Mr. Schuman said that this had indeed been announced by Stalin himself.

Proposed CFM

The Secretary said that we had heard from Mr. Jessup who had met with Messrs. Parodi and Davies and had gone over yesterday's message. The Deputies had agreed that it was not wise to put forward the Parodi proposal at this time. They wished to discuss the Russian proposals but never intended to discuss them on the Russian basis. The Parodi proposal could be kept in reserve and perhaps be used if we could make no progress on the present basis. Gromyko was unwilling to have a closed meeting and had tabled two new items. In these new proposals the first part of the paragraph referring to the investigation of human rights and the freedoms in the countries having signed peace treaties is similar to ours but the Soviets have added Italy to the list of countries. Mr. Schuman said that this did not seem to represent a simplification. The Secretary said that they were trying to get back to Potsdam.

Negotiation Regarding the Formation of a European Army [2]

The Secretary said that we were following very closely the negotiations in Paris regarding the formation of a European Army. He told Mr. Schuman how sympathetic we were to this idea and how much we desire it to succeed.

Our military advisers, however, think that the French plan is not realistic enough and, therefore, its chances of success are diminished. The general political provisions are not troublesome. The difficulty lies rather in the technical military aspects. We think an area of compromise where national units can be of a workable size is the best solution.

Mr. Schuman said that this was really where the French had started. He said that the German proposal of two weeks ago represented both progress and compromise. These proposals provided for two units of 10,000 men each under a common command as against the French idea of 3 units of 5,000 men each. He added that the French Government had been agreeably surprised by the German

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[2] For documentation concerning the U.S. attitude toward the Conference for the Organization of a European Defense Community, see vol. III, Part 1, pp. 755 ff.

proposal made to the five delegates and made officially in the name of the German Government. He believed that the Germans were just as desirous of finding a solution as we were.

No. 162

551.001/3-3151

Memorandum of Conversation, by the Special Assistant to the President (Harriman) [1]

TOP SECRET [WASHINGTON,] March 31, 1951.

The conversation began with an exchange of amenities in which Auriol explained again his principal purpose of getting people in the United States to appreciate the real vigor of France, and I congratulated him on the value of his visit.

He then said that he wanted to talk to me about the USSR. During the period we were building up our military forces, he considered we should gain time through diplomacy. I told him I agreed in principle, but I assumed that he did not mean appeasement or that we should be deviated from the vigorous steps necessary to build military strength. I explained that I had found that whenever the Soviets violently objected to what we were doing, it usually was the very action that was most important for us to take. I said it seemed clear that in the conversations of the four Deputies, and later at the Foreign Ministers meeting, the principal Soviet objective was to split the Allies, reduce the speed of rearmament, and block the bringing of Germany into the European armies. I felt sure that he understood this danger, and applauded the French for the steps they were taking through the Schuman Plan, and now through their leadership in bringing the Germans into the continental defense arrangements. I suggested, however, that they were being a bit too technical on the military details of these arrangements, and expressed the hope that they would not let rather narrow political concepts interfere with practical military arrangements.

President Auriol then launched into a denunciation of the Germans as strongly nationalistic and revengeful. He explained the history of the 20's in rather a narrow way and said that the Germans could not be trusted. He said that even the German Socialist Party was strongly nationalistic, particularly Schumacher, and

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[1] A notation on the source text indicates that this conversation with President Auriol, at which Ambassador Bonnet was present most of the time, was held on March 31 at 4 p.m. at the French Embassy.

that if we rearm the Germans, they might well bring on war in their desire for a unified Germany.

As David Bruce had warned me this would be his attitude and had suggested that I take the opportunity to discuss the German question with him, I told him that I did not quite agree with his analysis of the 20's; that there had been mistakes on the part of the Allies. I did believe, however, that the Germans would follow positive action; that with all of the confused pressures on the Germans perhaps the strongest today was the desire to be associated with the West; that if the Western countries brought them into what Churchill called "an honorable association", this might well become the foundation of German policy. The clear fact was, however, that we had no alternative. We could not suppress the Germans and at the same time present a strong enough front against the Russians. To leave 60 million vigorous people in vacuum was the most dangerous kind of policy. The desire of the Germans for a united Germany will certainly continue, but a close association with the West would provide a basis for controlling their ambitions within the framework of the general Western policy towards Eastern Europe. There would be many other difficulties in the future, such as problems between Poland and Germany. The important thing now was to build a strong unity in the North Atlantic community. If we stuck together, we would then have reasonable hope of working things out. I underlined that the American people would not understand any unreasonable delay in regard to Germany or narrow quibbling over matters which were militarily unsound.

He clearly did not like what I said, so I turned to a question he had asked me the other evening, namely, what the President's reaction had been to his conference. With the President's approval, I told him that the President had been much pleased with his personal talks, was interested in the information he had given him and was encouraged by the vigorous manner in which he had described France's determination to rearm and to defend herself against Soviet aggression. But the President, on his side, hoped that Auriol understood his problems with the Congress and the need for aggressive action on the part of France in rearmament. Auriol said that he respected President Truman greatly for the extraordinarily wise and foresighted steps he had taken. He said that he had known the three great Presidents—Wilson, Roosevelt, and now Truman. Wilson was a wise intellectual, but personally cold. Roosevelt was a man of broad human ideas. President Truman is a man of determination and action. He said that he went home with renewed confidence and would convey that to his people.

W. A. HARRIMAN

C. Concern of the United States With Developments Relating to Economic Support of the French Rearmament Program and With Developments Affecting the Political Stability of France

No. 163

751.02/3-251: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

CONFIDENTIAL PARIS, March 2, 1951—1 p.m.

Unnumbered. Following is Embassy's analysis of present French Government crisis, circumstances which brought it about, difficulties in forming new Government, and possible elements in solution of crisis. It should be emphasized that, since crisis only in its second day, following is largely conjectural. No parties have yet given helpful indications as to their stand on key points. Tentative conclusions are that this crisis will not be solved within next few days, but will not be allowed delay Auriol's trip to US, [2] and that another "third force" Government rather than a "national union" coalition including Gaullists will succeed Pleven's cabinet.

(1) *Importance of Electoral Issue:* Intransigence of parties on electoral law reform goes beyond mere selfish ambition to include maximum number of its members in next legislature. Local situations of individual deputies are admittedly influential. Nevertheless, basic to disagreement is desire of MRP do all possible insure that coalition in next legislature is, like present one, essentially one of the center; whereas Radicals are ready join either Centrist coalition or one based on Right, with or without Gaullists. Differences between two solutions in terms French Government policies over next five years is fundamental.

(2) *Circumstances of Crisis:* If crisis had to come on electoral law issue, Pleven chose good moment in that he did not put question of confidence on one system in preference to another and, therefore, did not take sides against any party of his coalition. Secondly, by avoiding being overthrown on vote of confidence, Pleven made it constitutionally impossible for continued differences within parties of majority to be resolved by new elections at this time. This of considerable importance since new elections under present law would both favor Communists and risk return of Assembly in which governing coalition most difficult to find since composition might well

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[1] Also sent to London, Rome, Frankfurt, and all U.S. Consulates in France.

[2] For documentation on President Auriol's visit to Washington, see Documents 156 ff.

be roughly one third Communists, one third Gaullist, and remainder third force.

(3) *Difference from Previous Crises:* This is first crisis since Communists left government that has not had as its occasion conflict over economic policy between Right and Left wings of a coalition that inevitably includes parties with divergent orientations on how to divide the national income. Fall of Queuille Government in 1949 and of Bidault Government in 1950 both caused by demands of Socialists for more money for lower income groups. Successor in each case formed by compromise at expense of third party, i.e., tax payer. In present case, on other hand, Socialists have been party working hardest to avoid crisis (were only group to rise and applaud Pleven as he left Assembly February 28), and compromise on electoral law reform must be at expense one of interest parties.

(4) *Multiplicity of Immediate Issues:* Now that crisis opened, issues dividing majority can no longer be resolved one at a time. Together with electoral law there must be a simultaneous agreement on person of Prime Minister, composition of Government, and such outstanding issues as measures for combatting current and expected price rises, financing of budget deficit, etc. Although it is possible to logroll agreements between different aspects of economic policy, it appears difficult to bargain, for example, economic policy pleasing to MRP in return for MRP concessions on electoral law reform, since gains on economic policy during life this legislature cannot offset possible loss by MRP of its say as to economic policy during five years of next legislature. Basic lines of French foreign policy not at stake. Need for simultaneous solution multiplicity of personnel and policy questions will tend to lengthen crisis.

(5) *Factors Making Quick Solution of Crisis Advisable:* As usual French crisis comes at inopportune time. In field of foreign affairs it is awkward, to say the least, to have crisis simultaneous with last stage of Schuman Plan negotiations and with European Army Conference, on eve of Big Four talks preparatory to CFM, and of President Auriol's trip to US. Domestic situation calls for prompt handling inflationary pressures that are already bringing serious labor discontent, and decision needed soon on how to provide funds for budgetary deficits. Budget itself remains unvoted.

Political interests of parties should also induce early solution. As inflation mounts, Socialists likely to lose voters to Communists, who remain loudest in demands for aid to all categories of poor while they have no responsibility for finding funds. The longer the crisis lasts the stronger will appear Gaullist argument that third force parties incapable of governing France. Gaullist condemnation of "regime of parties" will have particular appeal in connection

crisis brought about by disagreement of parties as to electoral systems neither of which gives voter free choice among candidates. Gaullist threat may ultimately be decisive in bringing present coalition together again.

(6) *Composition Next Government:* That present coalition parties will get together again seems virtually inevitable. After repeated crises they have provided the only politically possible coalition that has necessary arithmetical strength in Assembly. Only substitute would be "Government of national union" against Communists called for by de Gaulle. This is admittedly tempting for some Rightists, some Radicals, and some MRP, but it would certainly be refused by Socialists. Auriol himself would obviously do best to avoid such an outcome. On specific issue of electoral law reform substitution of Gaullists for Socialists in coalition would not help toward solution.

(7) *Possible Prime Ministers:* Four names recur whenever press discusses possible successors for Pleven: Radical Rene Mayer, MRP Bidault, Socialist Ramadier, and Pleven himself. Last named (whose wife reported quite ill) has already informed Auriol he could not think of succeeding himself, but development of crisis might change his mind. He has advantage that as leader of UDSR he is not member of any of coalition's big three parties. At outset of crisis, Socialist seems more likely candidate than either a Radical or MRP since latter have been two protagonists in electoral law struggle. Mayer's chances would of course improve if he could swing a number of Radical votes from two to single ballot system. Fact Auriol asked Bidault on March 1 to consider taking responsibility can be attributed to fact MRP widely held be party chiefly responsible for crisis. He unlikely succeed, at least on first try.

(8) *Possible Solution of Electoral Law Reform:* So long as electoral law reform continues being fought out on issue of single ballot vs. two ballots for departmental lists, former appears likely winner. Because Pleven Government had Radical Ghcobbi in charge electoral law reform, he was bound resign if Government took stand in favor of single ballot, and his resignation would probably have entailed that of other Radicals. Now, although Radicals might attempt make two ballots price of their entry into new Government, recent votes have shown that within parties of majority itself there is almost a majority of full Assembly ready accept single ballot. Since Radicals themselves include some dissidents on this issue, it would be easier for them to accept single ballot compromise than for MRP, so far solid against two ballots, to accept latter.

There may be swing toward single member constituencies. If it is evident that Assembly is really determined bring about reform this would be least objectionable to Communists and, therefore, might

possibly fail meet their opposition, which has so far successfully swung from side to side in order prevent any reform. Moreover this likely cause minimum difficulties with Council of Republic. Nevertheless very difficult to see how this system could be plank in platform of new Government since it generally thought be extremely disadvantageous to MRP.

Whole reform issue might, of course, be put off. Sentiment is growing inside Parliament, presumably as reflection similar sentiment outside, in favor of a popular referendum to determine basic lines of voting system. This would require constitutional change, and hence some delay. If parties unwilling work out prompt compromise there could hardly be better excuse for delay than agreement consult sovereign people.

(9) *Date of Elections:* By delaying enactment new electoral law, crisis has, of course, made it technically more difficult hold elections this spring—always supposing majority of deputies ready to end life of this Assembly before date specified in present law. Since Assembly passage of bill will probably not take place until after Easter recess at earliest, and since there will surely be need of second reading following revisions proposed by Council of Republic, it is unlikely to become law before latter half of April. Under these circumstances, even if Assembly agrees cut its life short, elections more likely in June than in May. Introduction of referendum would almost surely delay elections until autumn.

BRUCE

No. 164

751.5/4-1851: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

TOP SECRET PARIS, April 18, 1951—7 p.m.

6304. Eyes only for Acheson, Perkins and Cabot; pass ECA eyes only for Foster and Bissell; pass White House eyes only for Harriman. The tension between the US and French Govts over the amount and method of Amer assistance to the French rearmament program for the period ending June 30, 1951, has now reached a point where, in my opinion, a little more strain could bring about a very damaging crisis in French-American relations.

Schuman told me Sunday that the French Cabinet is puzzled and resentful over the situation and that Cabinet discussions with diffi-

[1] Repeated to London for Spofford and to Paris for Katz.

cult and unfortunate implications are already scheduled on the subject. All members of the Embassy, MAAG and ECA mission who deal with this question are acutely aware of this dangerously surcharged atmosphere.

Recent Gaullist criticism that the present French Govt is totally subservient to US instructions has further aggravated this feeling. We are in constant negots with French over vital military installations, we are probably approaching a 4 Ministers meeting [2] where mutual confidence will be a necessity, and there are many other political objectives of major importance for the furtherance of which a close understanding and at least trustfulness by the French in our leadership are essential. Such trust simply does not exist at present. I recommend that our subsequent actions in this area be influenced by the urgent necessity to terminate this state of affairs.

This discouraging situation stems primarily from conflicting interpretations of the agreement reached last Oct at Wash [3] and from misunderstandings of unilateral actions taken by the 2 govts under that agreement. The major incidents at the root of the reciprocal bad feeling are the following:

1. The French administration first requested an excessive amount of aid in Oct talks and then after an agreement was reached drastically curtailed their request, they reduced their metropolitan defense program very substantially without prior consultation with US.

2. Altho French ministers gave prior oral promises to the contrary, the reductions made by the French did not fit the pattern of the priorities which the US officials thought had been established on a general basis at the Oct talks.

3. While Pleven was being given assurances during his Wash visit [4] that Amer assistance wld be forthcoming as foreseen in the agreement without further difficulty, the US unilaterally shifted to a different method of financing. The French considered this action to have imposed new restrictions and therefore to have altered the basis of the agreement in a way detrimental to them. It was widely suspected there that action was motivated by US dissatisfaction with the French military program—a dissatisfaction implied but never stated categorically.

4. French now consider that US has imposed unilaterally a limit of $240 million on the combined ECA and MDAP aid that will be given in the first 6 months of 1951 thus implying rejection of a

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[2] Reference is to a possible meeting of the Council of Foreign Ministers. For documentation on the Four-Power Exploratory Talks at Paris, see vol. III, Part 1, pp. 1086 ff.

[3] For documentation regarding the Franco-American military assistance agreement under reference, see *Foreign Relations*, 1950, vol. III, pp. 1396 ff.

[4] For documentation on the January 1951 visit to Washington of French Prime Minister René Pleven, see Documents 139 ff.

mutual discussion of the French estimates of their dollar needs. French understanding of agreement was that final amount of aid would be decided on basis actual developments and after discussion. Impression French have gained of our position is particularly unfortunate because the amount of aid that the French could have justified for their import needs on basis developments wld not have been substantially different from figure of $240 million. Thus same result could have been obtained without having contributed to present accusations of bad faith.

5. French have been informed that the US is now considering making even aid allotments yet to come from $240 million conditional upon and immediate restoration of certain items in the French metropolitan military budget and changes in the French military production program to which French believed US had previously given its general approval. In their present form our suggestions to this end comprise a complicated, extensive, and as yet ill-defined series of recommendations regarding various items of French military program, including military production. They do not constitute a workable action program and cannot do so until after conversations at technical level.

In addition to the above developments one should add the general attitudes contributing to the unfortunate controversies over the French military program. On the Amer side, there is general dissatisfaction with the manner of the French presentation and irritation with the economic and political problems of the French which prevent an increase of the French military effort to a level that the capacities of France wld otherwise permit. On the French side, there is dissatisfaction with the alleged delay in Amer end-item deliveries; their irritation with the interminable arguments and confused negot worse confounded by mountains of paper work and involved demands for information, much of which is irrelevant or never used, which surrounds their every request for equipment or matériel; their growing suspicion that the US has no real intention of forcing a NATO burden-sharing which will bring a contribution from the other European partners proportionate to that being made by the French; their belief that US administration does not give adequate weight to French contribution in Indochina.

In Oct and again in Jan I attended meetings at the Dept where these affairs were deliberated upon by numerous representatives of interested divisions and agencies. The major problems appeared resolved. Full understanding with Petsche and Moch and later with Pleven seemed to confirm that no difficulties existed on the broad issues. I had thought that these policy decisions wld be implemented without any reconsideration of the policy itself or obstruction of the policy by new conditions, or superfluous procedural exactions. These policy decisions were designed to give us an opportunity to ascertain whether or not the French wld carry through their

pledged program. If we were to find that our assistance to them for the first 6 months of this year had not been wisely or effectively utilized, we cld then take this into account in connection with their requests for later assistance.

For the above reasons and others I fear that mutual discussions on the French rearmament effort will bog down in a morass of misunderstanding and mutual ill-will.

If you think I exaggerate the confusion and procedural snarls in which this whole affair has been involved for at least 6 months, I suggest a reference to the voluminous Embtels 6246, 6247 and 6248 of Apr 16, [5] and if anyone with final policy responsibility has the patience to go through them and the other telegrams therein referred to and reflect that they only represent a small portion of the thousands of words that have flowed back and forth across the Atlantic on the subject with but few constructive results, I believe you will find that the apprehension of the Emb, ECA mission and MAAG about the apparently endless uncertainties of this matter has some justification. Today even when the term of our commitment is within 11 weeks of its conclusion we have no agreed position upon what our commitment really is. In spite of our insistence last year on a French high priority production program, and in the face of their numerous submissions of AMP requests for raw materials and machine tools over a period of about 2 fiscal years, they have thus far received approvals of only $3.5 million for these items. Moreover, the increased scarcity, price, and demand for raw materials and machine tools has made it extremely difficult for the French now to reckon on reasonable future schedules of delivery.

No purpose wld now be served by trying to justify to the French the US position in the many complicated questions I have alluded to above. The fact is that the US must have the firm support and confidence of the French Govt at this stage of our common military effort. If this is not obtained, it wld be a failure of US diplomacy and whether the fault lies basically in French inadequacies is comparatively irrelevant. As a first step to correct the situation I recommend that you instruct me to inform the French Govt that the remaining $129 million of the $240 million in aid will be allocated immediately without further discussion of conditions. This action wld be supplemented by the note suggested in Embtel 6248. I do not suggest that this approach wld of itself restore the situation

[5] These telegrams were in response to telegram 4946 to Paris, March 21, which specified certain modifications in the current French military program before further American economic support would be provided. Telegrams 6246, 6247, and 6248 from Paris strenuously objected to both the substance and spirit of the proposed modifications and urged Washington to abandon its "take-it-or-leave-it" attitude toward the French. All of the above telegrams are in file 751.5-MAP/4-1651.

but it might begin to recreate the environment of mutual confidence necessary for our discussions with the French of future military aid and problems of military coordination.

I shld like to get this particular affair settled as quickly as possible. The now expiring French Parliament is taking no decisive actions and will leave behind it a heritage of econ, financial and political questions of a most disturbing nature. As a result we will be beset by many other disagreeable problems in the future. They will undoubtedly include inordinate requests for Amer financial assistance.

My recommendation is not designed to allow France to impose on the Amer taxpayer. I am in agreement with the policy of being tough with our NATO partners in a way that will produce results. We shld give our assistance quickly and effectively to implement a definite agreement. As we discovered with the Marshall Plan the initial stages of the injection of foreign aid are the most important ones. This is especially true in the present instance where such an attitude shld in the long run prove to be the economical one for reasons set forth above.

BRUCE

No. 165

751.5-MAP/4-3051: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, April 30, 1951—8 p.m.

5783. Tomap.

1. Fol msg concurred in by ISAC agencies replies Embtels 6304, [2] 6246, 6247, and 6248. [3]

2. You are authorized inform Fr that total of $129 million will be allocated in near future without further prior discussion of conditions. FYI actual allotment these funds dependent on apportionment from Budget Bureau which expected shortly.

3. Leave to ur judgment exact phrasing of note outlined Embtel 6248. Assume you will take into account Ecato 457, [4] developments

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[1] Drafted by John O. Bell and cleared with Baum and Van Cleveland of ECA, Curtis of Treasury, Perkins and Beigle of EUR, Van Syckle of Defense, and Schelling of the Executive Office of the White House; repeated to London for Spofford.

[2] *Supra.*

[3] Telegrams 6246, 6247, and 6248 from Paris are not printed, but see footnote 5, *supra.*

[4] Telegram Ecato 457 from the Administrator for Economic Cooperation, Foster, to the ECA Mission in France, April 24, asserted that a review of pertinent figures

Continued

reported Embtels 6417, 6416, and 6392, [5] and other pertinent factors. Have in addition fol comments:

(a) Believe advisable note make appropriate reference to fact some of $129 million might prove to be more properly applicable to later period and to effect improvement in reserve position might have on future aid requirements (refer para 7, Deptel 4946).

(b) Some feeling here that note outlined Embtel 6248 seems to say without adequate explanation US providing aid despite failure Fr meet commitments. Believe it desirable in addition to present text outline to relate provision of aid to legitimate requirements of expanding rearmament program which is on whole worthy of US support.

(c) Similarly note seems to give impression we are interested in modifications of present program only in order to make it conform to Oct hypothesis. This is not the case. These modifications are suggested as desirable ones from mil point of view quite independently of issue of conformance with Oct presentation. We hope they can be considered on their merits. What we are basically interested in, of course, is getting Fr to carry out present program rapidly and to increase it as soon as possible. Our goal is not conformance with Oct presentation but a program adequate to requirements of MTDP.

4. Pls cable text note when given Fr.

ACHESON

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indicated that French estimates of dollar receipts and expenditures for the second quarter of calendar 1951 seemed "extremely unrealistic," erring on the side of pessimism. Foster added that the maximum aid figure of $395 million for France in fiscal 1950/1951 "includes generous estimate Fr legitimate import needs" and therefore the allotment of $200 million for the current French military program "under approach outlined Deptel 4946" was both realistic and generous. (ECA message files, FRC 53 A 278, Paris)

[5] Telegram 6392 from Paris, April 21, reported that an *aide-mémoire* had been submitted to the French Minister for National Defense on April 3, pursuant to telegram 4946 to Paris (see footnote 5, *supra*), specifying items in the French military production program "which we felt might be deleted or deferred and other items which we felt shld be expanded or strengthened in order to contribute to a greater effectiveness this year of the Fr mil program including the mil production program." The telegram then went on to discuss in detail the first meeting "yesterday morning with officials Fr Min Natl Def to discuss changes suggested in our *aide-mémoire*." (751.5-MAP/4-2151) Telegrams 6416 and 6417 from Paris, both dated April 22, reported on two subsequent meetings which were highly technical in nature and somewhat acrimonious in substance. (751.5-MAP/4-2251)

No. 166

751.5-MAP/5-1251 Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

SECRET PARIS, May 12, 1951—5 p.m.

6904. Toisa message. Verbatim OSR text. Fol is text note being presented to FonOff (Deptel 5783, April 30, rptd London 4978 [2]):

"Emb presents its compliments to Min Foreign Affairs and has honor to refer to response prepared by Min Natl Def of Fr Govt to a request of US Govt for info concerning relation of Fr def program adopted in Jan 1951 to program outlined in Oct talk in Wash. This info was requested pursuant to understanding embodied in Dec 18–19, 1950 exchange of *aide-mémoires* that US was to provide $200 million supplementary econ assistance to France on condition that definitive Fr def program substantially corresponded with projected program which served as a basis for Oct talks in Wash. In view of US it was felt projected program outlined at that time represented an initial contribution to NATO medium-term def plan of a magnitude appropriate to country of France's resources.

"The pertinent agencies of US Govt have now studied the info given them by Fr Govt and ECA is now prepared to proceed with the allotment of balance of $129 million remaining of $200 million foreseen in Dec 18–19 *aides-mémoire*. In reaching this decision US Govt has taken note of additional expenditures incurred in Indochina by Fr Govt which bring the definitive level of mil expenditure in 1951 to approx level of those projected in Oct talks. US Govt has indicated certain reservations conce ning the content of definitive 1951 Fr def program but nevertheless has concluded that the legitimate dollar requirements resulting from a program of the magnitude envisaged justify the granting of this amount of further aid in US fiscal year 1951.

"US Govt has found the recent conversations on whether present Fr def program represents the optimum distribution of the def effort and expenditure for France very useful and hopes that the progressive implementation of Fr mil program will reflect the views brought out in these conversations.

"US Govt had also considered the estimates submitted to ECA with ref to the total amount of econ support aid required by France during the first half 1951. US Govt considers that ECA allotment of $40 million made last Jan and the $200 million foreseen in Dec 18 *aide-mémoire* constitute maximum econ assistance that can be reasonably justified for this period.

"Emb refers to the statements made by US reps during talks between President Truman and Prime Minister Pleven last January concerning the decision of US Govt in light of revised estimates of world situation to accelerate its previous rearmament schedule. US assumes each nation participating in NATO is continuously review-

[1] Repeated to London.
[2] *Supra*.

ing its own plans to determine their adequacy in terms both of size and phasing to meet changing situation. US Govt wishes to emphasize that there have been no developments during intervening period which would lead it to alter foregoing views. Accordingly Emb is prepared to participate in discussions with appropriate Fr officials of Fr plans and capabilities for increasing and accelerating def effort between now and July 1, 1952 and of manner in which US can assist in carrying out these plans."

BRUCE

No. 167

751.00/5-1251: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

CONFIDENTIAL PARIS, May 12, 1951—7 p.m.

6910. With date of elections voted, a first look can be taken at electoral situation as it shapes up, even though officially the campaign is only to start 2 weeks from now. In actual fact, and particularly as far as Communists and De Gaulle are concerned, campaign has been in full swing for some time. Positions of other parties are also beginning to emerge more clearly.

Cardinal fact about the new law is that majorities can only be obtained, and Communists eliminated in the various depts, if non-Communist parties affiliate. De Gaulle decision not to affiliate (even though there might still be some minor exceptions by individual non-RPF deputies being allowed to run on RPF lists) means that majorities will be obtained in comparatively few electoral districts. (Min of Interior estimates only about 30 depts will have affiliated lists sweeping the entire ticket.) Thus new system, a hybrid between majority system and proportional representation, places special premium on effectiveness of affiliations that are still possible. These are being decided now and must be firm before end of next week. They will take place among parties between RPF and Communists.

De Gaulle's decision to go it alone is of course entirely in keeping with RPF ideology. However, it not only will increase number of Communists over what they wld otherwise have been (effective affiliations might have virtually wiped out Communist representation), but it will also deprive him of fair number of seats for his own party. His strategy thus appears directed to secure greatest possible aggregate of Communists and Gaullists, rather than dimi-

[1] Repeated to London.

nution of Communists and maximum representation of Gaullists. No indication yet that he will necessarily be successful in this strategy.

Communists on their part are to some extent playing into De Gaulle's hands by picturing him as their only serious opponent. Duclos speech May 7 (Embtel 6819, May 9 [2]) and behaviour of Communists during yesterday's debate appear to indicate that this is major point of their campaign strategy. By proclaiming themselves as only real enemies of De Gaulle (the other parties allegedly abetting him, wittingly or unwittingly), they no doubt hope to obtain further polarization of electorate, and sharpening of issues, and may attempt pose as possible eventual leaders of anti-Gaullist camp.

Between these 2 extremes, the other parties have been affected by these tactics. Rightists, for instance, who might have welcomed affiliation with De Gaulle, are being driven toward affiliations with the 3 principal third force partners. Thus after peasants and Independents decided to put up joint lists, the PRL moved closer and proclaimed Wed its willingness to form alliances with them. The Independent-peasant combination also commenced talks with the RGR, roof org to which the Radicals belong. Papers today announce "electoral union" between RGR and the new "national center of Independents and peasants". Evaluation of effect of this union must await news of Radical reaction. The RGR does not necessarily commit Radicals, some of whom cannot affiliate with Socialists and Rightists at the same time and may be confronted with difficult choice.

Special importance attaches to Socialist and MRP positions. Latter at Party Congress last week came out not unexpectedly, in favor of affiliations on broadest possible basis, and former, who are holding Party Congress this weekend, responded quite favorably. Complete across-the-board alliances from PRL to Socialists are obviously impossible, however, because of local situations, notably religious question in western and eastern depts and of course because of econ issues. Principal question is how many MRP-Socialist affiliations will be possible and how far they can be extended to the right. So far, SFIO–MRP alliances appear confined almost exclusively to southern France, but coming weeks shld bring speeded up decisions for other areas.

There is no doubt that Gaullists and Rightists will show substantial gains in next elections, and the rightward trend in center of gravity of the Assembly (which has been noticeable for years) will no doubt also be reflected in windup of parliamentary business

[2] Not printed.

next week. Thus Radical position against "excessive" new taxes appears likely to win out when budget is voted, price stabilization will go out the window and Socialists and MRP will only get minor crumbs, possibly by way of adjustment of minimum wage scale for former and some minor adjustment of family allowances for latter.

One fact about election campaign as it unfolds, which is rightly remarked upon by observers, is comparative apathy of the electorate so far. There is undoubtedly considerable disgust with present assembly whose stature has not been increased by the protracted wrangles over electoral law and by its inability to pass necessary inflation-control measures. Getting out the vote, if this apathy continues, will probably be a major preoccupation of parties. Although protest vote for the extremes May 3 less affected than vote for other parties, there is no indication so far of prospect for landslide. As campaign unfolds, better appraisal of these aspects should become possible.

BRUCE

No. 168

Editorial Note

The French Government replied to the American note of May 12 with one of its own on May 30. The French note, translated by the Embassy in France and sent to the Department in telegram 7355, May 30, was handed to Minister Bohlen by Parodi. The French note expressed surprise and displeasure at what seemed to be an abandonment by Washington of its October 1950 commitment of $200 million in military aid supplementary to and therefore in addition to the economic aid upon which the French Government had been firmly counting and upon which it had projected its 1951 budget. At no time during the many discussions between French and American officials in Paris and Washington between October and early May had the United States given any indication that it had decided to change or modify its initial aid commitment, the French note continued, but, in light of the American note of May 12, the French Government could only conclude that the United States had indeed changed its policy on French economic assistance and would not fulfill its October 1950 commitment to France. The American decision to cut aid to France could only produce the gravest repercussions, the French note concluded, since the French Government had already presented to Parliament a particularly heavy civil and military budget whose satisfactory execution could not be achieved, short of a serious danger of domestic inflation, if

contemplated financial aid for economic recovery and rearmament failed to materialize from the United States. (751.5-MAP/5-3051)

No. 169

751.00/6-1851: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

CONFIDENTIAL PRIORITY PARIS, June 18, 1951—8 p.m.

7868. French election returns reported separately (Embtel 7867) [2] point strongly to formation of next govt through combination of third and fourth forces (Socialists, MRP, Radicals, and Independent-Peasants). There may be barest mathematical possibility of rightist coalition combining RGR, non-Gaullist rightists and RPF, but first two of these far more likely to team up with third force for formation first govt of new legislature because of: (1) enmities between these groups and RPF inherited from period of last Assembly and difficulties always attendant upon agreement with movement headed by DeGaulle; (2) fact that campaign maneuvers and propaganda of RPF and govt parties have been very generally directed against each other; and (3) prospect that non-Gaullist rightists who have increased their strength within present coalition and who with RGR will be stronger than Socialists plus MRP, might expect to find coalition with RPF dominated by latter as largest single party. No indication has yet come from Gaullists that they are ready to sacrifice any part of their program in order to participate in govt. RPF Sec Gen Soustelle's comment has distinct opposition group overtones.

There is some question however whether Socialists choice will be to participate in or merely to support a coalition even non-Gaullist whose right wing is in such relatively strong position. Socialists have called extraordinary party congress for July 4 and 5, presumably to settle this question at last moment before Assembly convenes. Statements issued fol election returns by right wing Socialist Moch and prominent left winger Leon Boutbien revealed former advocating Socialist participation in coalition, but latter only So-

[1] Repeated to London, Rome, and Frankfurt.

[2] Telegram 7867 reported that on the basis of data made available by the French Minister of Interior and with 62 seats still to be allotted, the number of seats to be allotted to the respective French political parties in the forthcoming Assembly on the basis of the national elections were as follows: Communists, 96 seats; Socialists, 96; RGR and Radicals, 85; MRP, 77; Fourth Force, 100; RPF (Gaullists), 107; others, 4 seats. Bruce added that the elections were "quiet and orderly," and no incidents were reported. (751.00/6-1851)

cialist support. Statements by Queuille and other Radical leaders and prominent Independent Christians indicate that they will work for inclusion Socialists in broad coalition.

Present govt will resign only when officers of new Assembly chosen and that will not take place until several days after new Assembly meets for first time on July 5. Things will have moved quickly if PriMin is designated by President and invested by Assembly his govt formed and successful in first Assembly test before July 14 holiday. Period between elections and convening of Assembly will of course allow some time for inter-party negotiations, but since in French Assembly groups do not exactly coincide with party tickets on which deputies elected there must be prior maneuvering for constitution of these groups and election of their officers.

Conclusion that most likely coalition is one without Gaullists and composed of parties which have worked govts of past four years is not to suggest that there have been swept away the factors of strain that militate against such stability of contrast cabinets and their capacity for agreeing on long term programs or making difficult int›rnatl policy decisions expeditiously. These factors are: (1) small margin of govt's majority; (2) divergent views and programs of potential partners; and (3) temptation for right wing at later stage to slide over into Gaullist camp.

Extended coalition will need support of all four of its major components, particularly since number of deputies on which coalition can regularly count will not equal totality of non-Communists and non-Gaullists in Assembly. Uncertain elements will include both some overseas deputies and some metropolitan rightists who like their predecessors in last Assembly will refuse support govt if Socialist Party a member. Govt of course at mercy of Socialist swing to opposition such as brought Bidault govt down in June 1950.

Still greater elements of weakness will be disagreements among parties forming or supporting govt particularly as coalition will have to straddle dividing line between parties with working class and trade union support and those representing primarily businessmen and farmers. Disharmony may be increased since electoral gains have been registered by both extremes of potential coalition (Socialist on left and Independent-Peasants on right), whereas gains for Radicals on right center far offset by larger losses for MRP. Manifesto of fourth force published in press June 9 is clear evidence of coming difficulties. Not only does it call for program that is anathema to Socialist (revision of nationalizations, reform of social security, reduction of govt spending, and elevation of Council of Republic to status, comparable to that of Third Republic Senate), but it is signed both by Roger Duchet for Independents and Peas-

ants and by Daladier for RGR. Daladier's signature indicates that line of division on many issues likely to split Radical Party.

Given divergences of views among partners in centrist coalition, there may gradually build up temptation for its right wing to drop alliance with Socialists and substitute different governing majority by inclusion of Gaullists. Relative numerical strengths of parties will make this most difficult so long as MRP holds out against it. On other hand if French affairs go badly and govt in frequent difficulties there may be trickle of individual deputies shifting from non-Gaullist Assembly groups to Gaullists. Even before close of campaign, Gaullist candidates began attempt to woo others by declaration of welcome to members rival tickets who wished adhere Assembly group which all RPF candidates are pledged to join. Such a development wld both weaken numerical strength of centrist coalition and give Gaullists as largest non-Commie Party greater claims to lead new coalition. It is now much too early to make any predictions as to extent or timing of possible eventual shift toward DeGaulle. In fact opposite may take place, that is, gradual crumbling of supposedly monolithic group of DeGaulle's compagnons in new Assembly. Fact Gaullists did not reach total they anticipated is initial factor working to undermine their confidence in greater success later on.

In conclusion may be predicted that third and fourth forces will maintain in first govt of new Assembly partnership they had begun in 1949 and continued in election campaign; and comment is in order that—contrary to constant predictions of GP and Gaullists during last years of old Assembly—these partners can point to fact that double opposition was beaten on popular votes as well as in winning of Assembly seats.

BRUCE

No. 170

751.00/6-2051

Memorandum Prepared by G. McMurtrie Godley of the Office of Western European Affairs

CONFIDENTIAL WASHINGTON, June 20, 1951.

FRENCH ELECTIONS

There is attached a table indicating the breakdown of the 1946 and 1951 French national elections. [1] These figures are not official

[1] Not printed.

but are fairly accurate. The popular vote figures and percentages refer only to Metropolitan France and Algiers, hence minor discrepancies.

OBSERVATIONS

1. Approximately the same number of people voted in 1951 as in 1946 and the number of abstentions was the same.

2. Third Force parties, i.e., Socialists, MRP, Independents (Reynaudists, and miscellaneous rightist groups) and RGR (Radical Socialists and Pleven's UDSR) were supported by 50.2 percent of the electorate.

3. The Communist's popular vote fell from 28.5 percent in 1946 to 26.1 percent in 1951, a loss of some 9 percent. They received 474,382 fewer votes than in 1946.

4. The De Gaullist RPF percentage fell from 25.5 percent in the March 1949 cantonal elections to 20.5 percent. (De Gaulle's RPF did not exist in 1946.)

5. All members of the Queuille Cabinet, except the Secretary for Air, Maroselli, and Secretary of State for Industry and Commerce Guillant were reelected. Among the prominent casualties were Ramadier, Capitant, Phillip and Michelet. All prominent Communists, including Cot, Thorez, Duclos, Tillon and Marty were reelected, as were the more eminent Gaullists, with the exception of Terrenoire and Michelet.

6. The elections have resulted in a rightward movement of the center of political gravity of the Assembly in that the conservative Independents and RPF gained seats at the expense of the Communists and the MRP. The balance of power shared by the RGR and Independents now rests with the Independents.

POSSIBLE GOVERNMENT COMBINATIONS AND DEVELOPMENT

The present Queuille Government will resign when the officers of the new Assembly are chosen sometime after July 5. President Auriol will then designate a Prime Minister who will undoubtedly endeavor to form a Government of representatives of the Socialist, MRP, RGR and Independent parties. Although it may be difficult to form such a government, this is probably the first coalition which we shall see. Due, however, to the fact that it will have to include not only left-wing Socialists and MRP as well as right-wing Independents it is not anticipated that such a government will be able to deal firmly with serious economic and social problems. At best, it will have to govern by compromise and avoid definitive action.

There are already signs of political maneuvering on the Right with invitations to *rapprochements* between the RGR, Independents

and Gaullists. It is not anticipated that these will be successful at this time, but certainly the possibility of such a future coalition, supported by defection from the right-wing of the MRP must be kept in mind.

RESULTS OF THE ELECTION ON FRANCO-AMERICAN RELATIONS

The election has confirmed France's intention to cooperate whole-heartedly with the West and bear her share in its defense. Neutralism was in no case an issue and no non-Communist candidate advocating it was elected. The Communists, arch opponents of all U.S. policies in France, suffered a serious defeat in their representation in the new National Assembly as well as an absolute loss in votes. The election indicated a definite rightist and nationalist trend. De Gaulle in his campaign repeatedly demanded a greater French voice in Western planning and command. He also attacked what he called the weak attitude of the preceding Third Force Governments in dealing with France's allies and the domination of France by her friends. Although Gaullists will probably not be in the immediate post-election governments, their influence will be felt. Hence we will probably encounter difficulties in dealing with the French on base rights negotiations, colonial questions, and any other problems that may entail a possible limitation of French sovereignty. French nationalism also will be felt in handling the German questions but no clear-cut new policy in this matter can be deduced from the election or electoral campaign. French policy in Indochina was not a non-communist campaign issue and French resolution in the defense of that area will undoubtedly be maintained or possibly increased.

No. 171

751.5-MAP/6-2851: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

TOP SECRET PARIS, June 28, 1951—7 p.m.

8170. Pass urgently to Harriman. Toisa—This is combined Emb and ECA Mission message. Visits of Harriman and Gen Bradley [2]

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[1] Repeated to London for Spofford.

[2] No documentation on the visit of Presidential Adviser W. Averell Harriman to Paris has been found in Department of State files. General Bradley visited Paris June 2–6 for talks with various French and NATO military officials. While in France he declared in a press statement on June 6 that he had been impressed by what he had heard from Defense Minister Moch about French industrial progress

Continued

have given increased impetus to internal discussions within French Govt on re-examination of French tentative mil plan as set forth in documents presented to Gen Bradley by Moch. Moch was very anxious to explain consistency of his program to Bradley, and Petsche equally wished to make clear his financial and econ problems during Harriman's visit. We understand that Petsche also wished to submit new proposal on a personal basis which is reported to be a substantial improvement over his usual position that US shld assume very considerable part of internal financing of increased French mil expenditures. Schuman, however, insisted on having French cabinet review paper and its submission has been delayed. Queuille and Petsche both explained orally to Harriman difficulties which had arisen for them because of admin of US econ and mil assistance and underlined magnitude of problems facing them in planned increases of French mil effort. Petsche also pressed for reply to French Govt note forwarded in Embtel 7355. [3]

French cabinet re-examination will be continuous process over next few months and French are anxious to begin conversations with Emb-MAAG-ECA team on magnitude of effort they are to undertake in 1952 and particularly on probable framework of US assistance. We doubt whether policies of US Govt in questions related to French rearmament are sufficiently defined to permit us to proceed usefully now in such conversations with French.

During past few days, we have explained our problems to Ambassadors Harriman and Katz on lines of summary set out in part I and part II of this message. A full statement of analysis and of facts on French rearmament is being prepared for Amb Katz at his request for submission of French problem to Wash and to his ECC colleagues together with his comments at that time. Until this document is completed, info in papers given to Gen Bradley by Moch and info forwarded recently by Emb-MAAG-ECA team shld provide adequate background.

Part I.

In our opinion, security interests of the US and NATO require that mil tasks as projected by French be carried out at least in their broad lines. This includes their open-end commitment in Indochina; infrastructure on French soil; placing of 28 divs inactive or immed mobilizable status by summer of 1954; raising the number of men on active status from 850,000 (including 165,000 in Indochina) by the end of 1951, to a million by the end of 1953, with

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which, he thought, would enable France to make a substantial contribution to Western defense on land, sea, and in the air. For further information on Bradley's trip to France and England, see footnote 1, vol. III, Part 1, p. 528.

[3] Not printed, but see Document 168.

a mobilizable reserve of roughly 2 million men and with constant increase in stocks of material to arm them in event of their mobilization.

It appears to us that various US officials are now fol a number of contradictory policies which prevent using US assistance and influence in a manner which can best contribute to the common security interests of the US and France.

1. Washington has placed feasibility target for French mil budget for calendar 1952 at $3.2 billion in presentation of Mutual Security Bill to Congress. This target seems to have been accepted generally in admin as a real ceiling. A mil budget of this size wld just barely permit France to cover payments on the mil tasks now underway and wld probably mean a delay of 18 to 24 months in their MTD mil program.

2. US agencies are nevertheless aware that French Defense Min estimate of 1952 mil budget needed to carry out French MTDP tasks on schedule as French Def Min defines them is around $4 billion and that Def Min apparently is basing its plans on assumption of Amer assistance considerably beyond amount which is likely to be available. Despite gen recognition by us of a ceiling somewhere in neighborhood of $3.2 billion, some US reps are urging France to undertake further expenditures not even included $4 billion figure.

3. US officials ask France to continue to finance its open-end commitment for mil operations in Indochina. US wants an increase in French expenditures there, particularly in expenditures for the creation and equipment of natl armies. However, even in their $4 billion estimate French have made no provision for any substantial increase in expenditures above present tempo of activities.

4. US urges an increase in infrastructure expenditures in France. We understand US position to be that France, as major staging area, shld assume an initial financial burden for all infrastructure as host country and shld participate on equitable basis in financing balance of infrastructure. It does not seem that $4 billion estimate makes adequate provision for French share of infrastructure costs on this formula.

5. Some officials propose that pay of mil personnel shld be substantially increased in France if combat morale is to be adequate and officers and NCO's are to be attracted to mil profession. An increase to even 25 percent of level of pay received by mil personnel in US wld probably cost 100 billion francs. No provision for any substantial increase in mil pay has been included in French $4 billion estimate.

6. Some US officials state that, if French forces are to be effective and adequately trained, much larger expenditures must be made for training supplies, stocks, uniforms, etc. The French $4 billion estimate does not seem to provide adequately for higher expenditures for such items.

7. US is pressing France to increase its production of mil equipment. Specific requests have been made by US and by DPB for increased production of jeeps, howitzers, night fighters, tanks, etc. US is also considering informing French that certain end-items previously programmed will probably not be sent from US but shld be

produced in France. It is doubtful that the $4 billion estimate carries anything like magnitude of increases requested.

8. Washington informs Emb–MAAG–ECA team that in order to fill MTDP "forces" gap France may be asked to accept a commitment to create two additional infantry divisions as well as an additional 528 planes and 35 naval units by 1954. Obviously no provision is made in $4 billion estimate for necessary 1952 expenditures on such commitments.

9. Furthermore, econ assistance US has scheduled for France in fiscal 1951/52 is only $290 million. This is on basis of a $2.9 billion 1951/52 mil budget. If the $200 million is given to French for second six months of 1951, which they expect as result of Oct talks of last year, US wld have left only $90 million of economic assistance to help French undertake a substantially larger military program beginning in 1952. Note that French received $240 million in first six months of 1951 and impact of increased mil expenditures will be higher in second six months.

10. Moreover, it appears that although US is asking for burden-sharing, it is far from accomplishment, nor do many US officials believe any significant contribution to burden-sharing from other NATO countries is likely. US cld perhaps force burden-sharing through economic assistance—for example, a large part of such assistance cld be set up as a credit to be used for purchases of mil items or for gen imports by France from other NATO countries, or conditional aid cld be given to other NATO countries provided they set up credits which France cld use only for mil items or gen imports. However, the US now insists that all intra-Eur payments apart from so-called structural deficits be unrelated to dol econ assistance. In any case, US econ assistance is scheduled to be used in conjunction with increase in mil efforts in other NATO countries which are now at very low levels. In countries where mil expenditures are disproportionately low in relation to those of France, end-items assistance might be given on a conditional basis. This wld mean basic change in our relations with those countries.

11. Some US officials are urging a number of other related policies regarding France which will also set limits to real resources available for diversion to rearmament.

(a) France shld increase real wages for labor;

(b) France shld increase govt-financed investments in the overseas territories, and at least maintain current levels of investments in metropolitan France;

(c) France shld expand its low-cost housing program.

Part II of this message is in immed fol cable.

BRUCE

No. 172

751.5-MAP/6-2851: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

TOP SECRET PARIS, June 28, 1951—7 p.m.

8171. Dept pass urgently to Harriman. Toisa. Part II. Conflicts in US pressures on Fr outlined in part I in preceding cable are not news, but their mere listing underlines how desperately we need a consistent US policy if we are to use influence and assistance in a way which will aid Fr to increase its defense effort to encompass the tasks required. We believe we are aware of most of very difficult problems involved in preparing such a formulation, but we must confess that though many months have passed since Oct talks we feel even less certain of US position than we did at that time. We had hoped that policies, procedures and organizations wld be evolved in US admin, NATO and SHAPE which wld give us guidance as to actual tasks Fr shld and shld not undertake and as to means by which burden of specific and overall tasks was to be carried before 1952 budget discussions in Fr Cabinet were seriously underway. Confusion in our own administration and that in Fr administration have already led to serious misunderstandings and to sharp deterioration in mutual confidence necessary if desired level and effectiveness of Fr defense strength is to be obtained. Relations here cld become further complicated very quickly. For example, when Fr Defense Min realizes that US again appears to have settled on an estimated ceiling upon Fr mil budget far below their present plans. Moch will interpret this fact as being in effect a reply to his memo given to Gen Bradley. [2] In such event, Emb-MAAG-ECA team shld be prepared to comment.

In anticipation of these complications Emb and ECA suggest that a consistent set of US policies in matters of Fr rearmament be evolved along lines set out below. It is recognized that these suggestions may further complicate already difficult situation in other countries. Suggestions are nevertheless put forward with conviction that central problem from US security interests in Eur, particularly until polit framework for Ger defense contribution is estab, is to get key Fr defense contribution firmly on the way. If any of US policies being followed in admin of mil assistance or SG NATO are inconsistent with this central objective, it wld appear that those policies shld be modified.

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[1] Repeated to London for Spofford.

[2] Not found in Department of State files, but see telegram 8170, *supra*.

(1) During Oct talks, Fr reluctantly undertook to finance a considerably larger mil program from internal inflationary resources on assumptions that US wld cover dollar payment deficiency that wld inevitably be created from induced additional imports and that a "burden-sharing" wld be evolved to cover deficits arising in other NATO currencies.

The Fr Govt included counterpart of aid to cover estimated dol import surplus in 1951 budget as receipt for govt, but there was no certainty that aid and thus counterpart wld actually be recd. It is very doubtful whether Fr officials can again be persuaded to increase mil expenditures in 1952 on this basis.

One basic reason for Fr attitude is that ECA's "balance of payments" approach has proved to be one in name only. The US Govt, contrary to its Oct promises, administered econ assistance in such way in 1951 that dol imports were artificially reduced and import surplus necessary to offset Fr inflation could not be programmed or created by Fr.

In addition, there is no evidence of any substantial progress on "burden-sharing". The responsible Fr officials also doubt whether US and other NATO countries wld actually release the resources that shld flow into Fr if Fr is to undertake a disproportionately large mil burden.

A second and more basic reason for Fr attitude up to present has been the protectionist import policy imposed by special interests and desire of mil authorities to expand national defense industry. These attitudes are strengthened by fact that after having very nearly completed program of bringing franc to respectable international status, Fr are now reluctant to see the deterioration in Fr international payments position necessary for a period of heavy rearmament. The US shld continue to press Fr to cast off its autarchic policies.

(2) Problem of mil budget in Fr leads to necessity of deciding which planned mil tasks shld be increased, abandoned, postponed or shifted to another NATO country. The US shld positively discourage Fr from undertaking anything except those specific priority tasks imposed on Fr because of polit and strategic consideration. It wld be preferable if this could be done as result of evaluation of a fully integrated defense plan evolved by SHAPE or NATO. Failing assumption by SHAPE or NATO of this responsibility for stating requirements, US shld indicate firmly on bilateral basis what it considers priority expenditures. Past experience with Fr demonstrates that, during inevitable cut-back from planned mil expenditures low priority expenditures are likely to be continued while certain items essential to quick build up to adequate standards of combat effectiveness are postponed.

Past experience also demonstrates that US at present moment does not have a position as to which expenditures in Fr have a priority and which do not. When we do have a position, the marginal amount of our econ assistance is not the appropriate weapon for the US to use as pressure to influence Fr in this regard. The providing of mil equip itself, again preferably based on a determination by SHAPE or by the US in cooperation with SHAPE, shld be made conditional on appropriate action by the Fr.

(3) The minimum Fr mil budget in 1952 will certainly be higher than the $3.2 bill figure if proposed targets are to be met. Whatever the final figure is, the US Govt shld again ask Fr to undertake to finance this increased mil budget in 1952 by inflationary means, but with assurance to Fr that any balance of payments deficit that results therefrom will be covered by econ assistance.

If Fr Govt will agree to carry out mil program on basis this understanding, we will have broken thru the Fr limitation on deficit financing, and policy that each govt shld shoulder initial financing of its own forces can then perhaps be maintained without forcing Fr defense effort far below level required. Fr mins cannot accept this approach, however, unless they can show Cabinet and Parliament a firm commitment in form of earmarked credit which will permit current flow into Fr of resources i.e., a "burden-sharing" contribution from US and other NATO countries. Experience with 1951 budget will make it nearly impossible to handle an increase on another basis.

The right approach is then to force general imports and mil hardware into Fr. The Fr shld be told that they have a firm credit of say for illustrative purposes $400 million for a period of a year. The credit will be available to them to purchase real resources and they can plan to expand their imports accordingly. If import surplus is realized, then Fr will obtain counterpart and thereby be able to reduce inflationary financing.

Whether Fr can use an amount of $400 million or not depends upon amount of dol payments that will be made by US armed forces in Fr for infrastructure and current operations, and on extent to which imports can be further increased to offset increased Fr internal expenditures. Aid in amount of dols 400 million shld be held available until it is absolutely clear that there will be increased dol earnings to pay for part of increased imports. We shld abandon policy of keeping Fr in constant doubt as to whether they will receive new dol aid allocations. Initial financing on generous basis is more important. If financing is not needed, it can be recaptured later by variety of adjustments. From viewpoint of US security interests, the Fr mistrust, uncertainty, and irritation with unjustified intervention leads to situation where "we give more and receive less".

(4) Some other European countries shld contribute to Fr on same basis. In order to increase available "foreign exchange credit" for Fr, US shld consider forcing "burden-sharing" on countries who are devoting a much smaller effort to defense in relation to resources than Fr thru the admin of our econ and end-item assistance.

(5) US shld support a real integration of rearmament effort on continent armed forces and mil production. The continental countries need and appear to be prepared to agree to a much greater surrender of sovereignty to a central mil authority than are the US or UK. US shld adopt within NATO a firm and consistent policy permitting and encouraging them to do so. It is misleading and even harmful to make illusions to what European nations could do as group of nations and then not push forcefully those policies per-

mitting them to attain level of effort which is possible only if they act as group.

Even partial estimates by Wash now set cost of mil tasks which Fr will have to be prepared to carry each year after 1954 at $3.6 billion. It may well be higher. It is obvious that Fr people may be reluctant to carry such a burden for defense on a purely national basis over a long period of time. If social and polit difficulties do not prevent it, continuous depreciation of Fr franc will.

The only answer is a really integrated continental defense, less expensive thru a better utilization of resources and borne by all who share in the defense. The problem is not only building up defense quickly. The Atlantic community wants Fr and other European divisions maintained in active status or quickly available on a permanent basis not just during present period of great urgency. The approach of a continental defense grouping is the way to accomplish this, provided a militarily practicable plan is agreed upon within a reasonable time.

(6) US shld recognize that a new inflation in Fr is the real hope of the Commies. US shld continue to press Fr to adopt those econ and financial policies which will lead to an expanding economy particularly an import policy oriented to keep down the cost of living for the Fr worker. In general, Fr shld rely on fon competition and increased production to hold down the increase in prices, and on pressure of increased demands from labor to maintain or bring about an increase in real wages.

(7) If reasonable estimates of what it is practical to obtain thru increased Fr fiscal efforts and available contributions to Fr from US and other NATO countries in imports and mil end-items do not bring within manageable proportions the burden on Fr of mil tasks which absolutely must be undertaken on Fr soil, then US shld recognize that basic changes in our present policies shld be considered, such as contribution substantially more in resources to Indo-China or expanding mil end-items program to include "soft" items.

Emb and ECA mission realizes that suggested policies raise many unresolved questions but, until we can be given more definite guidance on US policies and commitments to promote US security interests our influence here will be dissipated in conflicts and confusion.

BRUCE

No. 173

Editorial Note

On June 29, the Embassy in France sent to the Department the translated texts of two notes from French Finance Minister Maurice Petsche concerning the construction of additional airfields and lines of communication in France and further outside financial aid for French rearmament. The first of these notes, transmitted in

telegram 8187, reminded the United States of the recent decision of "Inter Allied Headquarters" to develop defense plans and to station aviation units in Western Europe which "required urgent execution of additional 'priority' infrastructure including airfields and lines of communication" in France. As yet, however, the United States Government had failed to give the American representative on the NATO Council of Deputies the necessary instructions so that a provisional formula for apportioning the financial burden of the infrastructure construction could be worked out. (751.5-MAP/6-2951)

The second note, transmitted in telegram 8198, once more sought to draw American attention "to exceptional gravity of problems posed by Fr mil program." The need to increase military efforts in Indochina, steadily rising prices for strategic raw materials on the world market, and the sudden demand by SHAPE for the installation on French territory of expanded lines of communication, airfields, and headquarters had threatened to undo the bilateral financial and economic arrangements between France and the United States that had been concluded at the end of 1950. As a result of this situation the equilibrium of the 1951 French budget had been "seriously endangered," and, because of the continual uncertainty as to the amount of dollars at its disposal for imports, the French Government had found and continued to find it difficult to set up an import program for any sufficiently long period of time. The lack of equilibrium in the French budget due to unexpected demands of rearmament and defense had created a very real threat of early and rapid inflation which could best be fought, Petsche maintained, by an increase in the volume of goods available to consumers. The most effective method of increasing consumer goods at this stage of French economic revival, Petsche believed, was through a sharp increase in imports. A successful import policy, however, required a significant increase in foreign aid to France, not just from the United States but from all of the member countries of the Atlantic Pact who should in some way or another share equally the economic and financial burdens of defense and rearmament. Moreover, it was not enough that foreign aid be granted France "from day to day. It is indispensable that its total amount be determined definitely for a sufficiently long period of time. Experience proves that an import policy has no healthy effect on prices unless domestic producers and consumers are assured that it will be carried out for a long time, that it will be based on carefully planned programs and that it will not be changed continually by chance or circumstance." Such conditions, the French note concluded, seemed neither exorbitant nor impossible of realization. (751.5-MAP/6-2951)

No. 174

751.5-MAP/6-751: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, July 3, 1951—8 p.m.

61. Toisa. Text draft reply to Fr note [2] re level of aid follows. Believe note shld be submitted before end present Govt, unless you have strong views to contrary re form or timing (Embtel 7578 June 7, rptd London 1996, OSR unnumbered). [3]

1. US acknowledges receipt Fr note May 30. In belief Fr note based upon certain misapprehensions US position this matter, US of opinion it wld be advisable restate principles underlying extension economic assistance to Fr 1950/51.

2. Postwar US assistance to Fr has provided dollar exchange finance imports into Fr and Fr Union necessary for reconstruction and economic recovery, which cld not otherwise be financed from Fr dol resources. Aid for Fr has been determined in so far as possible, on basis net dol deficit after all other Fr dol transactions were taken into account on current basis. In accordance these principles, Fr received reconstruction loan from US 1945, balance payments loan 1946, and grant assistance under Interim Aid program 1947. Since April 1948, to Mar 1951, Fr was allotted $2.1 billion loan and grant assistance under ECA program. In Oct 1950 US announced, subsequent to US-Fr Ministerial Talks, it wld make available out of funds appropriated under MDA Act, up to $200 million to Fr during first half 1951. This assistance is separate distinct from value military end-items provided to or scheduled for ultimate delivery to Fr under MDAP. During 49/50 and 50/51 value such end-items programmed for Fr have amounted to almost half of total value entire end-item program for NATO countries.

3. Although it was contemplated during Ministerial Talks October 1950 US would procure military end-items in Fr, US thereafter decided it would not for time being undertake such procurement. In deciding merge ECA and MDA funds and apply ECA procedures to assistance provided as result October talks, US Govt indicated this action should not have effect reducing amount economic aid granted Fr during 50/51.

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[1] Drafted by Beigel and cleared by Treasury, ECA, RA, S/ISA, OFD, the Executive Office, and Defense. Passed to OSR in Paris for Katz, repeated to London for Spofford, and sent to Heidelberg for Handy.

[2] Reference is to the French note of May 30, summarized in Document 168.

[3] Not printed.

The US Govt noted, for example, that Fr Govt had accepted the principle discussed during Oct talks and stipulated in *aide-mémoire* of Dec 18, 1950, [4] that any such dol receipts by Fr "are to be used, not to increase reserves, but (a) to pay for imports which must be purchased with non-EPU currencies and which are required to assist in preventing inflation which might otherwise result from the increased defense effort, and (b) to meet gold or dol obligations to EPU arising directly or indirectly out of the Fr prod program". The Fr Govt recognized therein that in effect it wld rec dol assistance only to cover the deficit in its dol bal payments. In agreed minute of discussions of US-Fr econ Working Group in Jan 1951, [5] the US again emphasized that the result of US assist shld not take form of increases in monetary reserves.

4. As was stated in the Ministerial Talks in Oct 1950, the US Govt was of opinion that it cld not become directly involved in financing internal Fr budgetary outlays associated with rearmament effort. It believed that only by means of an increase in imports into France cld US aid serve to provide increased local currency resources for the Fr Govt. In the agreed minute of the US-Fr Econ Working Group in Jan 1951, the US again stated that US was providing assistance to meet real dol requirements and not for purpose of providing local currency resources to cover Fr budget deficit.

5. In agreeing to the provision of econ assistance in Oct 1950, the US clearly intended, as was stated in its *aide-mémoire*, that "assistance herein proposed is without prejudice to the level of aid to be provided to the Govt of France under the Ec Act of 1948, as amended, and to any future adjustment thereof which the US may determine is necessary or desirable". The US Govt, at that moment and on the basis of trade forecasts discussed jointly by the two dels, believed that the proposed assistance wld be necessary to cover a dol deficit in excess of the deficit to be covered by the provision of assistance then available under the regular ECA program.

6. The US has continued to look for revisions in Fr import policy in line with its understanding, as stated in the *aide-mémoire* of Dec 18, 1950 that Fr Govt intended "to take vigorous measures to combat inflationary pressures by all appropriate means, including necessary adjustments of import and credit policies." It has been noted, in relation to (b) under para 13 E of the *aide-mémoire*, that the intra-Eur trade of Fr has not given rise to gold or dol payments by Fr since Oct 1950, but that contrary to expectations Fr has been a net recipient of $65 mil from the EPU during 50/51. The US Govt

[4] For text, see *Foreign Relations*, 1950, vol. III, p. 1446.

[5] For text of the agreed minute on economic questions, see Annex A to Document 154.

has also noted that Fr gold and dol reserves have increased by $175 mil in 50/51, thru May 1951; the increase since the exchange of *aides-mémoire,* in Dec 1950, has been $50 mil.

7. The US never fixed an arbitrary ceiling on the amt of econ assistance it wld make avail to Fr during 50/51. As of Feb 1, Fr had been allotted $195 mil out of ECA appropriation for 50/51. The Fr Govt has indicated, in its note of May 30, 1951, its understanding it wld receive further $115 mil from ECA appropriation, in conformity with so-called Snoy-Marjolin formula, in addition to proposed $200 mil in assistance under *aide-mémoire* of Dec 18, 1950. It shld be noted that US Govt clearly stated in a communication to OEEC that it did not consider itself bound by S/M formula [6] subsequent to Dec 1950, in view of fact S/M formula no longer led to distribution of aid in proportion to deficits of participating countries. In addition to formal notification to OEEC of abandonment of S/M formula, ECA in making each allotment for Fr in 50/51 informed Fr Govt that economic aid figure for year as whole had not been fixed.

8. US estimated, early in May 1951, that Fr wld probably require no more than $200 mil in econ aid during period Feb 1–June 30, 1951. This was believed to be an accurate estimate of French dollar requirements during this period. Despite developments described para 6, US Govt decided provide to Fr full amount of $200 mil specified in *aide-mémoire* of Dec 18, 1950, giving a total allotment for 50/51 of $395 mil. By so doing, US Govt indicated its strong desire assist Fr Govt in rapid implementation its military program, which was of general size and character to warrant provision of econ assistance. Nevertheless US believes that Fr Govt, in failing to take more vigorous measures to admit imports into Fr, had not taken full advantage of assistance available from US during this period.

9. The US Govt hopes that foregoing review will clarify for Fr Govt the basis on which aid has been extended during 50/51.

ACHESON

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[6] Snoy-Marjolin formula for determining economic aid to Marshall Plan countries. For further information, see footnote 2, *Foreign Relations,* 1950, vol. v, p. 1279.

No. 175

Editorial Note

Following the national elections, President Auriol on July 12 requested Maurice Petsche to form a government after outgoing Prime Minister Queuille had refused for reasons of health. Petsche

was unable to gain sufficient support, and, thereafter, Auriol turned to a succession of leading political figures from the centrist "Third Force" parties including René Mayer, Bidault, Reynaud, and Guy Mollet, all of whom also failed to win sufficient backing from the Assembly. At last, on August 3, Auriol turned to Pleven who finally succeeded in forming a cabinet on August 11. The Embassy in France kept the Department fully informed of the French Cabinet crisis in telegrams 275 of July 13, 357 of July 17, 520 of July 25, 545 of July 25, 624 of July 28, 679 of July 31, 717 of August 1, 747 of August 3, 788 of August 3, 834 of August 6, 958 of August 10, and 974 of August 11. These telegrams are in files 751.02 and 751.13.

No. 176

751.5 MAP/7-2451

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Director of International Security Affairs (Cabot) [1]

SECRET [WASHINGTON,] July 24, 1951.

Subject: Economic Assistance to France in 1951/52

1. The French note of June 26 (Paris telegram #8198 [2]), drafted by Finance Minister Petsche, makes a strong plea that every effort be undertaken to maximize imports into France in the coming year, and maintains that "because of continual uncertainty as to the amount of dollars at its disposal for imports, the French Government has found it difficult and still finds it difficult to set up an import program for any sufficiently long period of time." Petsche made this point at the end of the 1950/51 period during which the official gold and dollar reserves of Metropolitan France increased by $208 million, to a level of $809 million. Petsche stated and presumably believes that "outside of its credit position with EPU, which is decreasing, France has no reserves which will permit it to carry out a large-scale import program for a reasonable length of time unless she can count on sufficient foreign aid." During the Washington talks last February the French stated that they believed their monetary reserves should increase to a level of around $1 billion.

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[1] Drafted by Beigel of WE; copies sent to Thorp, Porter, and Gordon of the Executive Office of the White House, Willis of Treasury, and Major General Scott of Defense.

[2] Not printed, but see Document 173.

2. The Embassy at Paris, in its telegram #8171 of June 28, [3] also states its convictions that in 1950/51 "the US administered economic assistance in such a way that dollar imports were artificially reduced and the import surplus necessary to offset French inflation could not be programmed or created by the French." The ECA Mission to France equally supports this position in its telegram Toeca 822 of July 19. [4] Our relations with the French Government would appear to be affected by the fact that the French Government believes this to have been the case, regardless of its merits. At the same time the French Government has come around to accept the position summarized in the US note of July 7 (telegram #61 to Paris, July 3 [5]) concerning aid during 1950/51. The French representative stated before the FEB on July 6 that the French Government in the future would not expect external aid in excess of its balance of payments deficit. (The French representative agreed to put this statement in writing.)

3. In its balance of payments estimates being used for the Congressional presentation, ECA has projected an economic aid figure for France of $290 million in 1951/52, after taking into account US military purchases of francs amounting to $220 million. The Embassy at Paris has estimated that such purchases may increase to an annual rate of $300 million during 1952. The French Government has been informed of the illustrative aid figure, although it is not clear that it has been informed of the magnitude of anticipated US military purchases of francs.

4. To encourage the French to take whatever steps they can to increase imports into France during the next eighteen months, I believe that we should inform the new French Cabinet as soon as possible that the US agrees with the views set forth in the French note of June 26, and that for its import planning purposes the French Government might assume that from $400 million to $500 million will be available from the US Government during 1951/52. The upper limit will of course depend upon the size of the Congressional appropriation as well as upon the developing needs of the other participating countries. This amount is exclusive of any French dollar receipts that might arise from US military procurement in France.

5. The French should also be informed that more than half of the above amount will arise from US military purchases of francs, and will, therefore, be free from the programming inhibitions which the French believe are imposed by ECA procurement procedures. In

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[3] Document 172.
[4] Not printed.
[5] Document 174.

this connection, we should if possible be in a position to inform the French more precisely of the timing and volume of anticipated US military purchases of francs (in connection with pipeline, LOC, troop pay, base construction, etc.) during the period.

6. It should be strongly impressed upon the Congress that the illustrative aid figure for France was arrived at only after taking into account the $220 million estimate of US military purchases of francs.

No. 177

751.5 MAP/8-851

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Counselor of the Department (Bohlen) [1]

SECRET [WASHINGTON,] August 8, 1951.

Subject: Economic assistance to France in fiscal 1952.

With reference to my memorandum of July 24, [2] copies of which were sent to Messrs. Cabot, Thorp, Porter, Gordon, Willis and General Scott, there is attached a draft telegram to Ambassadors Bruce, Katz, Spofford and Mr. Parkman regarding economic assistance to France in fiscal 1952 which I would like to send out before the end of this week. I would appreciate receiving your comments in the near future.

[Enclosure]

Draft Telegram by the Assistant Secretary of State for European Affairs (Perkins) to the Embassy in France [3]

SECRET [WASHINGTON, August 8, 1951.]

Toisa. Presently considering draft instruction to you to inform Fr re econ aid in fiscal 51/52 along fol lines, after new Fr cabinet formed. Your comments desired.

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[1] Drafted by Williamson of WE. Sent for action to Cabot of ISA; Thorp, Assistant Secretary of State for Economic Affairs; Bissell of ECA; Nash of Defense; Hebbard of Treasury; and Gordon of the Executive Office.

[2] *Supra.*

[3] Drafted by Beigel to be sent to Paris eyes only for the Ambassador, Parkman, and Katz, and to London eyes only for Spofford. However, there is no record in Department of State files that this telegram was ever sent.

1. US firmly hopes in coming year there can be clearer understanding and mutual agreement re most urgent requirements placed upon Fr Govt and Fr economy in mutual defense effort.

2. US welcomes statement contained Fr note June 26 [*29*] [4] drafted by Petsche for Harriman and expressed by Clermont-Tonnere before FEB July 6, that Fr expect future dol aid in terms bal payments deficit and not in relation domestic budget requirements. This position is in line views contained US note July 7 paras 2–4. [5] Although para IV(4) a June 1 MiNatDef memo [6] given Gen Bradley maintains that US aid shld not be bound to Fr bal payments deficit with US, we conclude from subsequent Fr statements and from Fr note June 26 that Fr presently understand such position to be unrealistic. We are anxious that this be understood within Fr Govt since MiNatDef even now appears take budget approach to aid for added jeep production (Embtel 790 Aug 3 [7]).

3. As matter fact US will have fon econ aid funds available to cover only bal payments needs of Fr and other MSP participants. As Fr were informed by ECA, illustrative figures in Congressional presentation show 290 million dols econ aid to Fr during 51/52 in addition to estimated Fr earnings 220 million dols from Def Dept appropriations (for pipeline, LOC, troop pay, infra-structure, etc.). We note from para 9 MinFin May memo given Bradley that Fr realize possibility latter earnings may reach total 100 billion francs (290 million dols) in coming year. US hopes shortly be able inform Fr with greater precision re amounts and rhythm such Def Dept expenditures in Fr.

4. For import planning purposes, Fr shld count on receiving from US Govt sources during 51/52 some 400–500 million dols, ultimate amts depending upon (a) actual level Def Dept expenditures in Fr monetary area. (b) level Congressional appropriation for MSP, (c) development by Fr of realistic import program for entire fiscal 51/52 period, (d) relative dol needs of Fr and other participating countries. Moreover, above estimates exclude possible further dol earnings from US offshore procurement military end-items in Fr.

5. Re import program planning, developing world shortages and worsening terms of trade for Fr require that US become increasingly concerned with utilization Fr resources and relation Fr imports to production, consumption and exports. US therefore desires begin immediate review Fr import plans for entire period 51/52 on basis production-imports-exports-consumption analysis.

6. US desires impress on Fr that necessity reach 1954 military goals requires mobilization and conversion in short-run, that in this regard US will be giving fullest attention Fr tooling and materials problems, that US desires full conversations re Fr policy plans and intentions re industrial mobilization and conversion, and that this is an immediate problem from which Fr and US cannot afford be deflected by longer-range productivity drive.

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[4] Not printed, but see Document 173.

[5] Not found in Department of State files.

[6] Not found in Department of State files, but see telegrams 8170 and 8171 from Paris, Documents 171 and 172.

[7] Not printed.

7. US notes emphasis in June 1 MiNatDef memo that development of schedules for delivery military goods from Fr production lines and from abroad constitutes number one problem of Fr rearmament. US hopes undertake continuous and more precise review of production plans and end-item delivery schedules, and hopes do this in Paris, in CD and DPB, in SG, and in any other effective forum. To begin with US desires obtain clearer and more complete picture than it now has of status of present and contemplated Fr production lines.

To summarize, FYI: We believe US cannot satisfy any Fr anticipation of aid to cover Fr budget requirements, and that sooner we have understanding with Fr on this score the better will be our relations during 51/52. Similarly, we do not propose to bargain with small amount econ aid available under MSP Act for Fr performance involving many times that amt in Fr expenditure. We propose that in future we deal in context that Fr will implement its obligations in good faith and as full partner in NATO effort. On this premise believe frank discussion with Fr will be considerably more availing than carrot and stick approach, particularly since latter approach has had limited impact during past two years.

No. 178

Editorial Note

In telegram 1402 of September 1, the Embassy in France transmitted to the Department the translation of a note from the French Foreign Ministry concerning the worsening French financial crisis. According to the French note, a number of basic indices, including balance of trade, gold holdings, French position in the EPU, etc., confirmed the fact that, with an inevitable delay, the effects of the Korean crisis and of rearmament policy had begun to make themselves felt upon the French economy in an adverse way. It was most certain that budgetary and fiscal policies would have to be reviewed and credit controls initiated in order to check the mounting threat of rampant inflation. "But measures which might be taken in these different fields would be insufficient if not complemented by action in the field of imports." France could not continue to fulfill its many military and political commitments in both Europe and Asia unless it enjoyed sufficient "external assistance" for its purchases in the dollar area. In order that the French Government be able to decide on the pace at which it could and would pursue its defense efforts, the note continued, it was "indispensable" that it be informed by the United States in the very near future of the amount of financial assistance upon which it could

count through June 30, 1952, and that "in appropriate form" it be assured that the Truman administration, subject to Congressional approval, was disposed to continue economic assistance "in adequate amount" beyond that date. "It goes without saying that these bilateral assurances would cease to be necessary in event that, in conformity with proposals presented by Fr Govt in Aug 1950, a multilateral system for equitable sharing of defense costs were to be adopted by Atlantic community." In conclusion, the French note stated that as France was unwilling to jeopardize its current policy of granting authorizations for imports from the dollar area, it would continue to deliver import authorizations on the same basis for the first quarter of fiscal year 1951–1952 despite the fact that no allotment of economic aid from the United States had yet been received for this period. France was basing its action on the spirit of the Franco-American rearmament talks which had taken place during the latter months of 1950. (751.5–MAP/9–151)

No. 179

751.00/9–251. Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

SECRET PARIS, September 2, 1951—5 p.m.

1408. Dept pass Harriman.

1. This tel presents Emb's analysis French polit situation and French attitudes toward present major internatl polit problems. EDF, Indochina, Ital treaty revision, Morocco, the Saar, contractual arrangements with Germany are mentioned if at all only incidentally as they have been covered in previous tels. Observations on French econ situation contained in later tel.

Since this is lengthy summary report suggest Secy's personal attention be called particularly to parts A and C. [2]

A. *French Public Opinion and US Foreign Policy.*

2. On eve Washington, Ottawa mtgs, [3] non-Communist French public opinion accepts basic soundness US foreign policy, is more hopeful its ultimate success than at any time past few years.

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[1] Repeated to London, Moscow, Rome, and Frankfurt.

[2] A penned notation in the margin of page 1 reads: "Copy being sent to the Sec in San Francisco & inserted in 'Black Book' for the tripartite talks."

[3] For documentation on the meetings of the Foreign Ministers of the United States, the United Kingdom, and France at Washington, September 10–14, and on the Seventh Session of the North Atlantic Council in Ottawa, September 15–20, see vol. III, Part 1, pp. 1163 ff., and 616 ff., respectively.

French attitude has evolved from scepticism to definite hopefulness and tempered confidence in long range outlook. Neutralism commands no govt or parliamentary support. Firmer attitude toward Communists has been apparent this year in govt's actions although far short of what desirable.

First, confidence has grown that US in inspiring and sharing Eur defense activated primarily by intention deter potential aggression. Statements Eisenhower insisting NATO program designed first to ensure peace, second to constitute an effective def but never for offensive purposes, have had calming influence. Contributory to additional optimism re security prospects have been implementation Atlantic Pact through US end-item deliveries, recent despatch US divisions Eur, and especially presence SHAPE with Eisenhower possessing unlimited prestige as SACEUR.

Confidence developing that defense evolving to make successful resistance possible east of Rhine instead of gloomy previous fear evacuation across France fol by problematical liberation destroyed Eur civilization.

Second, French greatly impressed by immed US response to North Korean attack, by unwavering support operations there despite early mil reverses, by demonstration it possible rally UN assistance for collective security, by our conduct of Palais Rose and Kaesong negots.

Third, French gratified and stimulated by US support French initiatives relation creating Eur community—Schuman Plan and EDF—particularly since they involve Allied policy toward Ger always France's cardinal concern and source chief Franco-US disagreements in recent years.

Fourth, French encouraged by belief US appreciation their efforts and problems Indochina clearer than heretofore as evidenced by increasing US aid, invitation to De Lattre [4] for American visit, inclusion Assoc States San Francisco mtg, [5] and US mil understanding high strategic importance Indochina in world struggle against communism.

Fifth, disposition by US Govt of MacArthur case [6] diminished French fears of rash adventures in Far East. Assertion supremacy civilian control over our foreign policy struck responsive chord.

3. Nevertheless some feeling persists that US may at times proceed in internatl affairs unilaterally, impetuously, and dangerously. While there is no disposition to question our position of primacy in free world leadership, critics cavil that we have unnecessarily and publicly adopted positions involving interests our Allies with-

[4] For documentation on the visit to Washington in mid-September 1951 of General d'Armée Jean de Lattre de Tassigny, French High Commissioner in Indochina and Commander of French Union forces in Indochina, see vol. VI, Part 1, pp. 332 ff.

[5] Reference is to the San Francisco Conference to draft a Japanese Peace Treaty.

[6] For documentation relating to the dismissal of Gen. Douglas MacArthur by President Truman on April 11, 1951, see vol. VII, Part 1, pp. 264 ff.

out real prior consultation or due consideration their views (viz. Ger def contribution last year, Spanish matter this year).

In considerable degree sentiment exists that since France and other West Eur countries wld be first victims of Sov aggression they shld be given more weight in West polit councils than their mil strength alone yet justifies. Moreover, suspicion is ineradicable that the UK enjoys a position of special partnership with the US which, although a natural and inevitable relationship, may at times result in decisions adverse to French interests being taken without due regard to their views. This is especially true in respect of Middle East affairs, where although no mil contribution by them is involved the French feel that any decisions taken will inevitably have repercussions in the sphere of their Mohammedan territories.

Overriding obsession in France is necessity avoid war on Eur soil. French thoroughly in agreement with us that Eur rearmament on massive scale essential to this end. However, remain fearful that our country always victorious and never occupied conscious of its immense strength may take unwarranted risks that might precipitate war. American press reports keep them uneasy. Strident appeals by certain columnists that if Kaesong negots break down we shld bomb and possibly invade China agitate public thought here, where influence of journalistic pundits on formulation our natl policies is vastly exaggerated.

Such apprehensions are most evident connection Far Eastern questions, but also affect French reaction to US policies Eur affairs. French fears that US motto might be "damn the torpedoes, full speed ahead" frequently crop out in discussions of tempo our projects resolve issues concerning German Fed Republic, Berlin, Spain, and even admission Greece and Turkey to NATO. Their initial reluctance to such membership for Greece and Turkey dictated by opposition to NATO becoming merely anti-Sov mil alliance and consequent increased difficulty enlarging its economic and polit scope.

4. French somewhat dismayed also by our changes of pace by constant revision upward of rearmament estimates without accompanying provision for meeting increased burdens. They consider program wld be more realizable if instead of exhortations to raise sights we cld reach agreement on the most econ joint use of our resources devoted to rearmament, such as a multilateral system for equitable sharing of def costs.

Such developments as the Kem amendment [7] and the restriction on cheese imports appearing inconsistent with stated Amer foreign policy bewilder and irritate public opinion here.

5. Though little suspicion now remains that US wishes supplant France as ruling power in latter's overseas territories many Frenchmen still believe we wish to penetrate and dominate these possessions econ, especially Morocco. Even more marked is conviction that we encourage and even foment local nationalist movements without real knowledge of conditions or probable consequences. For example the alleged close relationship between a few US officials and members of the Istiqlal Party, the alleged subsidies paid by CIA reps to Moroccan agitators are believed by the majority of Frenchmen and thought to reflect official US Govt policy.

B. *Stability of Pleven Govt.*

6. French reps at Washington and later talks are members of coalition govt that does not appear be in immed danger but is nevertheless subj to all weaknesses that have made cabinet crises so frequent in brief life of Fourth Republic.

Pleven Govt faces constant double opposition of Communists and Gaullists in Assembly, who together hold slightly over one-third of seats. There remain four major groups of roughly equal size (Socialists, MRP, Radicals, and Independents-Peasants) that want no fundamental changes in constitution of Fourth Republic and those institutions of parliamentary demo which make govt responsible to legislature. But no three of these together have sufficient number of votes to maintain a govt in office if on some critical issue Fourth joins CP and Gaullists in opposition.

Temptation of such desertion is great for two reasons. First, left wing of centrist bloc is constantly being outbid on matters of importance to it by legislative proposals made by Communist opposition, and right wing similarly outbid by Gaullists. Restraints on coalition members imposed by participation in responsibility for governing give them a sense of frustration. This feeling is of course particularly acute when elections are in offing, as they are once again with respect Oct elections departmental gen councils. Second, two wings of centrist bloc have mutually exclusive doctrinal position on important issues such as aid to church schools and econ and social policy.

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[7] This amendment to the Third Supplemental Appropriation Bill, introduced by Senator James P. Kem on May 9, was unanimously approved by both Houses of Congress on May 21. It denied economic aid to any country which sent arms or military matériel to the Soviet bloc subject to exceptions made by the President on the advice of the National Security Council.

Pleven Govt is, like its predecessors, particularly plagued by fact its component parties come from both sides of great divide in econ policy. Its right wing believes in rugged individualism tempered by private agreements among producers; its left wing wants an increased measure of state control and break-up of many private price-fixing agreements. At time when inflationary situation calls for prompt remedial action, balance of power has shifted to right wing, whose policies are inevitably slower-acting than wld be measures of state control.

Even though all governmental parties and Gaullists too are united behind fundamental concepts Atlantic alliance policy and need strengthen France's mil forces, this difference over econ policy makes acceptance additional rearmament burden particularly difficult, since any lowering of living standard will be unacceptable to workers unless burdens more equitably shared; yet this equitable sharing is precisely what shift to right in party strengths in new Assembly makes less likely than before.

7. Pleven Govt may well last until early 1952, but only because of circumstances external to it, not because of its own bold and successful measures or of harmony among coalition partners. From early Sept until Oct 23, Parliament will be in recess. In recent years several cabinets have fallen as result disagreements among ministers without need of adverse Assembly vote, but none has so fallen when Assembly was not in session. Very fact of negots in Washington, Ottawa, and Rome makes such collapse unlikely.

Once Parliament reconvenes, Pleven will probably be able to maintain his balance on the tightrope precisely because there continues to be a net below. The govt will probably be protected from full consequences of personal jealousies, party ambitions, and genuine dissatisfactions by a double safety device: First, natl self-respect that has on several previous occasions prevented Assembly from overthrowing a cabinet while important internatl negots were in course or UNGA mtg in Paris; and second, disinclination of politicians to take over reins of govt immed before new fiscal year (which begins Jan first) since that wld involve assuming responsibility for passage budget that will set new high in expenditures and deficit and demand new sources of revenue.

8. Particularly difficult moment will nevertheless come immed upon reconvening of Natl Assembly. That date will precede opening GA and beginning of budget debate. During first week or two after Assembly reconvenes there will be, if experience of previous years holds good, little legis ready for public debate, with result that there is open season for attacks on govt's actions and policies. Foreign affairs debate at that time inevitable, but shld be less dangerous for Pleven, even though Rome NAC mtg may have taken

decisions on Ger unpalatable to many Frenchmen, than challenges on econ and social policy. Shld as yet undetermined govt action not have raised national minimum wage as unions demand, not have halted inflation and even brought down some prices, there will be strongest temptation for Socialists to go into outright opposition.

Despite favorable shift in Socialists' attitude on foreign policy, their disagreements with govt on domestic issues are so deep that Socialists cannot be counted on not to upset applecart. They feel that passage legis in favor church schools (see below) is rightward shift endangering republican institutions. They are horrified that party closest to them in past years, the MRP, is ready to accept alliance on this issue with RPF, and feel that trustworthiness of MRP as partner in favor leftist social policy is thereby impaired. Moreover, they are very cynical as to probability Pleven halting inflation. Quite possible their patience will give out and they will conclude that show of their polit power only way to get their econ policies accepted. This power is ability to bring down govt whenever they wish by voting against it on issue where RPF and Communist opposition is already assured.

9. Whether Pleven Govt lasts into 1952 or not, however, a new relationship among parties has been brought about by results of June elections and subsequent polit developments. Elections made Gaullists strongest group in Assembly and ended situation, which had existed ever since exclusion of Communists from govt in May 1947, in which every govt had to be formed or supported by same combination of parties. A coalition built around Gaullists has become arithmetically possible. It is not, however, polit probable within forseeable future, and it is too early for there to have been clear indication of trend in form of shifts of individual deputies to Gaullist camp (or desertion of it by deputies who think De Gaulle's insistence on acceptance his full program will keep party in opposition forever). Immed Assembly convened, Gaullists' presence and program were instrumental in causing MRP to inject into its minimum program proposals for immed aid to church schools.

Insistence on these proposals has been instrumental in keeping Socialists from joining Pleven Govt and has since done much to dislocate old coalition. On school issue there has emerged a new alignment in Assembly whereby slim majority is constituted by three parties of govt (MRP, Peasants, and Independents) in alliance with RPF, against Radicals, Socialists, and Communists.

This "reversal of alliances" is far from constituting basis for new governing coalition. To get one including Gaullists, RPF itself wld have to drop insistence on adoption its whole program as price of sharing responsibility, and both MRP and Radicals wld have to accept splits within their parties in which left wing wld join opposi-

tion. Nevertheless, entering wedge whereby Gaullists may split anti-RPF coalition will be exploited by them to full. Doubts and uncertainties have begun to beset "republican" parties as to stability of relations among them and possibility that RPF may tempt various combinations of "government" parties into succession of *ad hoc* alliances as different polit issues arise. On govt level, new situation promises to require increased vigilance on part PriMin to prevent gradual dislocation of centrist coalition. Among leftist voters, there will be new temptation to ally with Communists to defeat Gaullists, or to fail to unite with others in order defeat Communists.

C. *Possible Effects of Coming International Discussions of Governmental Stability and French Opinion.*

10. There is not enough opposition regarding foreign affairs among non-Communist French for govt to be split, or overthrown by Assembly, or for public opinion to be turned against US by substance of decisions that French will be called upon to make at San Francisco, Washington, Ottawa, and Rome. Within govt there is unity as regards principal aspects of foreign policy, whose continuity shown by fact France has in effect had only two FonMins, Bidault and Schuman, since liberation. Although there will be individual speeches and editorials objecting to specific points, French are in gen prepared to ratify what their reps agree to. It is true that parliamentary party positions have not been taken on admission Greece and Turkey to NATO, but as of now it does not seem probable that this question wld cause a pro-govt party to shift to opposition as wld be true, for example, of Socialists if question of admitting Spain were put before Assembly.

On German questions there is limit to how far French public and parliamentary opinion will permit any govt to go in extending to Fed Rep concessions it may demand. Since French reps unlikely agree to anything beyond these limits, however, one may anticipate parliamentary misgivings concerning, but not rejection of, tripartite decisions. We do not anticipate, for example, anything like Assembly's near-refusal to endorse London agreements of June 1948. French are convinced of necessity of incorporating West Germany—partly for very reason of their continuing distrust of Germans' aims and methods—into integrated West Eur. The average citizen has fairly good idea of implications of matters recently under discussion concerning Germany. Provided there are no surprises—and formal proposal to admit Ger to NATO wld be most unwelcome one to French public—govt shld be able get endorsement for its acts.

11. Manner of arriving at Franco-US agreement on any problem and manner of presenting resultant decision to public will be of capital importance in winning French public support and parlia-

mentary endorsement. French inclination to regard US as youthful headstrong giant noted above. Acceptability of Amer proposals will be twice as great if US leans over backwards to give French fullest opportunity to present their case whenever two govts differ and to continue to give French full public credit whenever—as in case Schuman Plan and proposal for Eur def community—US is backing French initiative.

Advantages of such line will be found at both public and parliamentary level. Immense power of US and of USSR, which contrasts all more with that of France because of absolute as well as relative diminution of latter in recent years, is constant temptation to average Frenchman to take attitude that world struggle lies between two world powers whose actions his own nation cannot influence and not between totalitarian and free worlds, in second of which worlds his country and its citizens can make their influence count. Evidence of French natl influence on global decisions will encourage French citizen to give decisions his sincere support and not accord them mere fatalistic acquiescence.

Careful attention on part US to French public reactions is more important than ever now that within France a strong Gaullist party is making an effort to boost natl morale and galvanize natl will by beating chauvinistic drums. Particular target of Gaullist propaganda is precisely alleged softness of French Govt in dealing with US.

Foreign policy matters are most unlikely to be major cause of shift from present centrist coalition to one including and led by Gaullists. If De Gaulle ever comes to power, it will be by default, because others cannot deal with France's problems. But Gaullists' claims of parties' hopelessness and inability to govern will have stronger appeal both to public and to wavering deputies if they can convince French that nation's reps are being pushed around by US without regard for either substance of French views or amenities of relations among great powers.

BRUCE

No. 180

751.00/9-351: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

SECRET PRIORITY PARIS, September 3, 1951—2 p.m.

1412. Pass Harriman. This tel contains Emb's analysis French econ and fin situation promised Embtel 1408, Sept 2. [2]

After postponement of as many decisions as possible during the pre-electoral period and long Cabinet crisis, [3] new govt now attempting to formulate future econ and fin policies. All economic and financial indices indicate that it must do so against background of rapidly developing price inflation and attendant labor, budget, and balance of payments difficulties. Many of the decisions to be taken will be necessitated by previous but as yet uncompensated deterioration.

(1) Fol is price and wage picture. Recent 38 percent increase in price of wheat will soon be followed by increase of perhaps 30 percent in price of bread, as well as higher prices for many other agricultural products. Meat prices are already 42 percent over pre-Korea level. Price of coal, scheduled for increase of probably 10 percent, as well as prospective increases in electricity and transportation, will in turn exert upward pressure throughout industry. Influenced primarily by world inflationary developments fol outbreak Korean war, increase in gen wholesale price level in France amounted to 36 percent in first ten months after Korea. Some improvement since because of decline in prices of raw material imports, but new upturn now inevitable because of domestic price developments.

Since Korea wage levels have twice been revised upward, 11 to 12 percent fol re-establishment collective bargaining procedure in Aug 1950 and 6 to 7 percent fol revision of legal minimum wage in Mar 1951. However, deterioration in position of labor since March adjustment, brought on by rise in consumer price level of roughly 7–8 percent, plus further price rise now taking place or anticipated, make imperative new correction in field of wages. It is expected that minimum wage will be increased by at least 10 percent in early Sept and that gen wage increase of similar proportions will be obtained from forthcoming collective bargaining negots with employers. This will unquestionably create new upward pressure on prices. Renewed tendency of Frenchmen generally to hold goods in preference to cash can also be expected to accentuate problem.

(2) Position of French Treas has been one temporary source of encouragement during first six months of year. Tax receipts have held up very well because of improved collection methods and high

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[1] Repeated to London, Moscow, Rome, and Frankfurt.

[2] Not printed.

[3] See Document 175.

yield of indirect taxes resulting from upward movements in production and prices. On expenditure side Ministries have been slow in making use of their appropriations so that Treas has been almost in balance during this period. However, govt may be plagued by financing difficulties towards end of year because (a) expenditures, particularly mil, are scheduled to increase sharply in last quarter, and (b) recent inflationary spurts appear to have substantially diminished even limited borrowing resources previously counted on for financing of investment program. Obvious necessity of eventually seeking increase in ceiling of direct advances from Bank France will be continuing source of concern.

(3) Recent developments in field of money supply and credit confirm inflationary signs noted in other areas. Available statistics for period since first of year suggest policy of considerable leniency on part Bank France in granting credit facilities to econ. Continuous upward revision ceilings on rediscounts established pursuant 1948 quantitative credit controls has resulted in swelling of discount portfolio to record levels. At same time Bank France has greatly stepped up open-market purchases (mainly Treas paper) to point where now almost double end 1950 figure. Since this shift of Treas paper from banks to Bank France not matched by increased purchases by banks from Treas, result has been provide banks with addtl resources for credit to business. In addition to steady rise in level of money supply, velocity deposit money now reported to be about 20 percent above 1950 rate of turnover. These inflationary factors in field of credit have been offset in part by deflationary effects developing B/P deficit and until recently by strong position of Treas. With upswing expected in public expenditures as rearmament program continues, credit policies and developments will become more crucial in struggle to hold inflationary forces in French econ under control.

(4) Industrial production has been expanding despite materials and coal shortages, but increases have not been spectacular. Figures for the second quarter were at an all-time high and preliminary reports for July show only a moderate seasonal decrease. Metal fabrication industries important for defense production finally regained their previous postwar peak in the second quarter of 1951 and maintained a high level in July. Steel production has been high but increases are unlikely and even maintenance of the present level is threatened by a shortage of coke and steel scrap. Increased imports of US coal are essential, not only for steel but for gen industrial production.

Present agric forecasts indicate some reduction from 1950 in most crops, with wheat output this year probably at least 10 percent lower. However, harvest shld be adequate to meet almost all France's current consumption requirements, altho increasing concern is being expressed about next year's level of stocks.

(5) Most immed cause for concern is uncertainty re extent of difficulties France will experience with its external financial position. Amount of Amer assistance and extent of US def expenditures in France are major unknown factors. Exports to all foreign countries have leveled off to annual rate of 2.7 billion dols while imports have increased sharply from annual rate of 3.2 billion dols in

March to an annual rate of about 4.0 billion dols during June and July. Increase is for most part due to price increase in imports. Demands for free market dols after being substantially below offers since beginning of 1950, have been exceeding offers since middle of June 1951 and excess of demands recently has been substantial. Cumulative French creditor position in EPU has dropped sharply from 260 mil dols in middle of Apr 1951 to 158 mil dols on Aug 2, 1951. Official gold and dol holdings have fallen 80 mil dols (about 10 percent) during same period. Gold and dol quotations have also deteriorated somewhat during past month. The napoleon has risen from 4100 francs to 4300 and black market dol from 365 francs to 390 francs. This development has occurred altho tourist season is in full swing and farmers have not yet entered gold market with harvest profits. Further indication that flight from franc has increased is fact that substantially larger number of tourists are financing themselves with imported French francs purchased on free currency markets New York or Switzerland at roughly same price as Paris black market rates.

It is in this atmosphere that Mayer must present his 1952 budget to Parliament and make a decision as to the extent of increases possible in military expenditures. He must also take into account a number of other unfavorable factors, of which most important are declining budgetary receipts from ECA assistance and addtl demands on Treas to cover social security deficit and finance price subsidies on certain imports, particularly coal. No reliable breakdown of 1952 budget figures now in preliminary stages of discussion in French administration is yet available to us. However, assuming mil budget in 1952 at level used by ECA in congressional presentation (1120 bil francs in 1950–51 prices) and making generous allowance for new taxes, French officials say budget deficit wld still be such as to necessitate considerable volume of direct advances or other forms of inflationary financing by Bank of France.

BRUCE

No. 181

751.5–MAP/9–551: Telegram

The Deputy Chief of the ECA Mission in France (Timmons) to the Administrator for Economic Cooperation (Foster) [1]

SECRET PRIORITY PARIS, September 5, 1951—noon.

Toeca 1032. Toisa.

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[1] Repeated to OSR.

1. Problem of coal and coke supply will undoubtedly be raised by Fr Mins during Wash talks. [2] Pleven has already told Harriman that coal shortage is perhaps greatest economic problem which France now faces (Embtel 1310, Aug 29 to Dept [3]). Fr Govt worried not only over econ effects of shortage and its possible repercussions on defense production, but also about impact on Franco-German relations—especially on ratification Schuman Plan, EDF, etc—of constant wrangling over coal and coke deliveries.

2. From specifically Fr point of view, problem may be summarized as follows: On assumption of capacity operation of steel industry, modest addition to currently depleted stocks, reasonable estimates for increase in coal production over last year, and maximum currently available imports from other sources, Fr estimate minimum import requirements from US for last half 1951 at 4.9 million tons for Fr, Saar and North Africa. This is 1.0 million tons greater than recent OEEC allocation to Fr of 3.9 million tons, based on present shipping availabilities. In addition, Fr feel they must have 400,000 tons of Ger coke as supplemental allocation for fourth quarter 1951 to permit steel industry now operating at 85 percent capacity to reach full capacity. (See Paris Toeca 1022, rptd Paris Torep 1237, Sept 3, 1951 for full details on coal and coke needs.) [3]

3. Fr see their own problem as part of a broader Eur problem and are determined to seek solution in European context. As they see it, Eur coal problem has two major aspects: (a) Over-all shortage in Eur, which results basically from low level of UK and Ger production and exports, and is made particularly acute at this time by pressures for higher levels of industrial production and need to replenish stocks depleted in 1950. In long run, Fr hope this problem can be solved by increased Eur production, encouraged by coming into effect of Schuman Plan. In immediate future, however, they feel that this over-all shortage (estimated by OEEC at 21 million tons for the last half 1951) can be met only by imports from US: (b) Problem of internal distribution of Eur solid fuels, coal and especially Ger coke which must fill large part of continent's coke needs. This internal Eur problem is aggravated by relatively high landed price of US coal as compared with Ger coal. Fr recognize unfairness of situation in which Gers are forced to export coal at prices considerably lower than Ger must pay for US coal imported as replacement. Solution of these problems will be facilitated when Schuman Plan comes into effect, but failure to find immediate so-

[2] This topic was not discussed at any length during the Washington Foreign Ministers meetings in September.

[3] Not printed.

lution threatens to have serious repercussions on ratification of plan in both France and Germany.

4. Fr have in mind possibility of instituting some form of price compensation mechanism to operate in conjunction with an agreed distribution of Eur coal and which wld make US and domestic coal more or less interchangeable from Ger standpoint. This, they feel, wld make it possible for Ger to give Fr the additional coke it needs. However, Fr feel that this or any other equitable solution to internal Eur problems is only possible if there is available sufficient coal to satisfy over-all Eur requirements. In the immediate future, they feel that the necessary additional coal can come only from US.

5. In Fr view, major physical factor limiting Eur imports US coal is shipping shortage, which also threatens driving up freight rates on all cargoes. On assumption that present shipping capacity is only sufficient to carry 16 million tons during last half 1951 and that total Eur requirements (based on OEEC estimates), are between four and five million tons higher than this figure, Fr Mins will request US Govt to take measures to break out about 200 additional ships. They realize technical difficulties involved and fact that Eur countries must be prepared to guarantee each ship for six trips; they feel, however, that such difficulties are no greater than those which have been overcome in past. In their view, urgency of coal problem from econ and polit point of view and its possible impact on rearmament plans justify prompt and bold action.

TIMMONS

No. 182

French-Iberian Affairs files, lot 58D309, Economic aid, 1951–55

Memorandum of Conversation, by the Acting Secretary of Defense (Lovett)

SECRET WASHINGTON, 13 September 1951.

Participants: Acting Secretary Lovett
Rene Mayer, Minister of Finance and Economic Affairs
Jean Daridan, Minister Counselor, French Embassy
Thierry De Clermont-Tonnerre, Secretary General for European Economic Cooperation, Paris
Colonel Samuels, OSD

The visitors were introduced to Mr. Lovett at 11:00 a.m. Mr. Mayer [1] congratulated Mr. Lovett on his appointment as the new Secretary of Defense. Mr. Mayer and Mr. Lovett both expressed their regrets over the resignation of General Marshall.

Mr. Mayer repeated the same discussion of the financial conditions in France which he had outlined to General Marshall during his visit on the 10th of September. [2] He again explained the dollar gap resulting from the necessity of importing raw materials, chiefly coking coal, and the Production Program in France which is geared primarily to (a) re-equipment, (b) construction—consisting primarily of housing and bridge building, and (c) production for France's war machine—the European Army and the Indochina forces. No dollar-earning exports result from this program.

Mr. Mayer also repeated his description of the need for additional aid to Indochina. He stated that approximately one-third of France's defense budget is being used for the support of forces in Indochina.

He again paid tribute to the Associated States of Laos, Cambodia and Viet Nam, because of their participation in the recent San Francisco conference to sign the Peace Treaty with Japan. He again mentioned that this is proof that the Associated States are oriented to the West. They came to this conference in spite of the fact that India and China did not send representatives.

Mr. Mayer expressed hope that something could be done so that France could procure necessary copper from the United States. He stated that the fact that France has been willing to pay prices above ceiling prices on copper is proof that France needs this copper for war production.

Mr. Mayer mentioned the subject of infrastructure and the proposed breakdown of percentages and amounts of money that each NATO country should contribute which was given to him by General Marshall on the 10th of September. Mr. Mayer felt that the 26 percent indicated for France was too high. Since the host country is expected to provide the real estate in the Infrastructure program, which is in addition to the funds shown in the proposed breakdown and the fact that most of the airfields will be located in France, that France's monetary contribution should be decreased from 26 percent to 20 percent.

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[1] Mayer was in Washington to attend the Sixth Annual meeting of the Board of Governors of the International Bank for Reconstruction and Development, September 10–14, 1951.

[2] No record of this conversation has been found in Department of State files.

Mr. Mayer stated that he had discussed the problem of dollar shortage and also the copper problem with Mr. Hoffman of ECA and Mr. Wilson.

Mr. Lovett responded by stating that he understood the serious problem involving the dollar gap resulting from France's unfavorable balance of trade. Mr. Lovett thought that this situation could be relieved partially by our so-called "off-shore procurement" program. He felt that certain items such as spare parts for aircraft and trucks and items of transportation could be efficiently produced in Europe. He felt that the maintenance of Europe's defense force once established should be provided from European production. Mr Lovett and Mr. Mayer agreed that studies should be made along these lines in an effort to build up Europe's production capacity with this in view.

Mr. Lovett expressed sympathy for the great cost of the Indochina forces but could foresee no immediate solution to increasing aid from the United States. He explained the great amount of time required to get appropriations from Congress or to transfer moneys already appropriated for one purpose to some other purpose.

As for the problem of France procuring the desired amount of copper, Mr. Lovett stated that that problem was one which came under the Office of Defense Mobilization, headed by Mr. Wilson.

Mr. Mayer expressed gratitude for being given the opportunity of discussing his French problems with both General Marshall and again with Mr. Lovett.

The conference was concluded at 12:05 p.m. and the visitors departed.

No. 183

740.5/10-951: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

SECRET PARIS, October 9, 1951—2 p.m.

2082. In conversation with Rene Mayer over week end he expressed same optimistic view of ratification of Schuman Plan and European Army as that reported by Pleven and Bidault in mytel 2043, Oct 6. [2] He was preoccupied even more than Pleven with polit consequences that might follow from presentation to Parliament of 52 budget and balance of payments prospects. Levels of govt expenditures, of possible tax revenues, of econ activity and of

[1] Repeated to OSR.
[2] Not printed.

imports were all interrelated and full picture of present situation wld have to be disclosed. Mayer stated that he was still engaged with Bidault in drawing up an interim military budget which wld be based on a minimum level of expenditures consistent with present engagements of France in connection with European def. He considered it unwise to attempt to do more until the Wisemen [3] had completed their report and at least initial action on report had been taken in Rome or at a later NATO conf. He said that, of course, his decisions on import program at least for immediate period cld not await completion of this exercise and he was anxious to have a statement of our views on exact timing of US/French bilateral talks proposed for end of Oct. I replied that we had no definite instrs from Wash on timing of talks and suggested that French officials and Emb-ECA-MAAG team prepare background balance of payments and other info that wld be necessary when talks were undertaken.

Mayer said he wld also like to proceed urgently with talks on financial assistance to Indochina in order to complete aspects of Indochinese problem raised by General de Lattre in Wash. [4] Mayer stated that it wld not be possible to submit even an interim budget consistent with French engagements in Eur if Indochinese expenditures borne by French Govt cld not be reduced to around 200 billion francs in 52.

Mayer also mentioned that his many econ and financial difficulties were complicated now by a tightening treasury position. He attributed this in part to recent increase in wages or civil servants necessity for various deficiency appropriations, subsidy for imported coal and an overoptimism with ref to tax receipts from corporations. He assumed MSA bill wld be signed in time for ECA mission to resume release of counterpart for end of Oct.

Mayer asked that US make an early regularization of its obligations under agreement reached in Ottawa on infrastructure, and touched upon his recent promise to Gen Eisenhower to use ECA counterpart for SHAPE housing. He is still hoping that he can obtain an early priority in shipping to permit delivery of additional coal French intend to purchase in US.

ECA mission and Emb are reporting more fully on status of each of above questions.

BRUCE

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[3] For documentation on the organization and activities of the NATO Temporary Council Committee (TCC), see vol. III, Part 1, pp. 1 ff.

[4] See footnote 4, Document 179.

No. 184

ECA message files, FRC 53A278, Paris Telegram

The Chief of the ECA Mission in France (Labouisse) to the Administrator for Economic Cooperation (Bissell) [1]

CONFIDENTIAL PRIORITY PARIS, October 25, 1951—noon.

Toeca 1335. Fol is translation of ltr which Amb Harriman recd from FinMin Mayer yesterday and which he has asked me to transmit to Wash:

Begin translation. Ministry of Finance, Paris October 22, 1951. My dear Averell, I am writing to you personally to bring to your urgent attention the extremely serious situation in which the French Govt will very shortly be placed with respect to our possibilities of imports from the dollar area.

It is my understanding that the conversations which had been decided upon in principle at the time of my visit to Wash [2] and had been scheduled to take place in Paris on October 20 or thereabouts have been postponed for an indefinite period and for reasons of which I am unaware.

I believe that during our last conversation I expressed myself clearly on one point: Namely, that the 1951–1952 import program is a key element in any econ and financial policy, since it will condition the possible level of French production and the armament effort.

Inasmuch as we had no idea early last summer what decisions Congress might make, my predecessor had taken the risk of authorizing for the third quarter of 1951 an import program which is currently under way; in addition, there is the increase in coal imports as a result of additional requirements, which will be met to within about 300,000 tons.

As was expected, these purchases have resulted in a substantial decline in our reserves. Excluding gold holdings of the Bank of France, our reserves are now down to $165 million.

You will appreciate that I cannot wait any longer before drawing up the 1951–1952 import program. It will now be advisable to limit the program to our real possibilities in the absence of any precise assurance with respect to the additional dollar resources which we can expect from the United States Govt and in view of the fact that the talks which were supposed to be devoted to this matter have been postponed without my being able to see the reasons for the delay or have any idea of when more info will be forthcoming.

I felt it my duty to lay the matter before you because of your dual role as chairman of the temporary comite of experts [3] and as

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[1] Repeated to OSR.

[2] See the memorandum of this conversation by Lovett, Document 182.

[3] Reference is to Harriman's role in the Temporary Council Committee of NATO (TCC).

head of the Mutual Security Administration, which succeeds ECA. At the same time we cabled Henri Bonnet to ask him to press home the point that we have recd no reply to the memo which we submitted in both Paris and Wash at the end of Aug on the probable situation of our dollar balance of payments during the year 1951–1952.

Obviously I shall be forced to propose to the govt a considerable reduction in our purchases. There is no need for me to stress the serious internal consequences of such decisions, which will also affect our defense effort to a certain degree. Such decisions are all the more regrettable for the reason that any reduction in imports will have an unfavorable effect on the domestic price level, which on the contrary warrants an increase in imports.

I have already ordered my staff to draw up a reduced program and to study the consequences which such a program implies.

The memo of Dec 18, 1950 provided $200 million in US aid toward fulfillment of the French defense program. This aid was to cover the first half of calendar year 1951 and was specified as supplementing Marshall aid. In the memo and the conversations which preceded it, the United States Govt had also made a moral commitment to continue this aid up to an amount of approx $200 million for the second half of 1951, subject to congressional approval of the necessary appropriations.

Since this condition is now realized, I consider myself justified in referring to the commitment made to the French Govt and on the basis of which the French Govt asked and obtained from Parliament the voting of substantial appropriations and fiscal resources under the French military budget for 1951.

I am also obliged to point out that since July 1, 1951, France has recd no econ aid funds whatsoever from the United States.

I feel that you will have no objection if I send copies of this letter to Messrs Bruce and Labouisse. I have already called their attention to these same questions. Believe me, my dear Averell, Yours most sincerely, R. Mayer. *End translation.*

LABOUISSE

No. 185

Secretary's Memoranda, lot 53D444, Memoranda of conversation

Memorandum of Conversation, by the Acting Secretary of State [1]

CONFIDENTIAL WASHINGTON, October 26, 1951.

Subject: US-French aid discussions

Participants: Ambassador Bonnet
Mr. Schweitzer, Financial Counselor
Mr. Francfort, Counselor of Embassy

[1] On October 25, Acheson departed by ship for Paris (Sixth Session of the U.N. General Assembly) and Rome (Eighth Session of the North Atlantic Council).

The Acting Secretary
Mr. Stinebower, OFD
Mr. Beigel, WE

Ambassador Bonnet explained that his government is most concerned with programming the French military effort and the budget for 1952. He recalled that Finance Minister Mayer, during his visit here last month, [2] had proposed that technical conversations be held as soon as possible regarding US aid in FY 1952. It was understood that such talks would start during the second half of October.

The Ambassador referred to the letter from M. Mayer to Mr. Harriman (text received as Toeca 1335, October 25 [3]), and emphasized that the French Government may have to reconsider its import programming for the last quarter of 1951 unless there is some indication of how it will cover its 1951/52 dollar deficit. He said that the French Government wishes to have some idea not only of the magnitude of economic aid that will be available, which will cover only a small part of the French deficit, but also some idea of the magnitude of likely dollar receipts that will be available in the form of off-shore procurement and other US military expenditures in France.

I indicated that we are equally concerned about the French situation, and that a group representing all the interested agencies is giving urgent attention to it. I explained that Mr. Harriman has new responsibilities for the coordination of all foreign assistance. I said that any decisions with regard to the French problem must necessarily reflect his views, and we intend to discuss the matter with Mr. Harriman as soon as he returns. [4]

I said that we have also been very concerned over the delay in the aid appropriation, as well as over the reduced amount. In response to a question from the ambassador, I said that any decision to transfer end-item funds to economic aid must also reflect the views of Mr. Harriman. I said that we are making real progress with regard to the off-shore procurement program. In conclusion, I emphasized that we will work as rapidly as possible to prepare for the discussions which the French Government has requested.

JAMES E. WEBB

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[2] For a memorandum of Mayer's conversation with Lovett on September 13, see Document 182.

[3] *Supra.*

[4] Harriman was in Paris at this time attending meetings of the Temporary Council Committee (TCC) of the North Atlantic Treaty Organization.

No. 186

751.5-MAP/10-3151: Telegram

The Chief of the ECA Mission in France (Labouisse) to the Administrator for Economic Cooperation (Bissell) [1]

SECRET PRIORITY PARIS, October 31, 1951—8 p.m.

Toeca 1380. Toisa. ECA/W pass Harriman. Pass urgently to State and Treasury.

1. French Cabinet and administration are now making basic financial, economic, military and polit decisions relating to 1952 budget and TCC analysis in atmosphere of growing pessimism as foreign payments crisis worsens steadily.

2. Admin had drawn up dollar import program of around $1,000 million, which was assumed to be volume of imports necessary to maintain, or bring about slight increase in, level of econ activity, and which made allowance for additional imports of wheat and coal needed. In expectation of dollar assistance from US in conjunction with milit program, French were carrying out import program of this magnitude during third quarter 1951 (see part A, para VI of Embtel 1402 Sept 1 [2]). Now in absence of aid and in face of imminent exhaustion of gold and dollar assets available to stabilization fund (see Toeca 1324 and Toeca 1376 [3]), French admin estimates that after meeting invisible payments, debt service and other unavoidable dollar obligations, it will have only $25 to $200 million in current earnings during 1951/52 to cover import program, even assuming US milit expenditures in franc area of $100 to $150 million. Even if gold and dollar holdings of stabilization fund on June 30 '51 were used in their entirety, uncovered deficit would still run between $525 and $700 million. Accordingly, admin is now considering reduction in dollar imports for 51/52 from $1,000 to $500 million, as stated by FinMin Mayer in his letter to Harriman (see Toeca 1335 [4]). Breakdown of cuts is not yet available, but it is clear that reduction of this magnitude will involve extremely serious consequences for French economy and in turn for social and polit stability of France, as well as for French rearmament effort. Such reduction will inevitably mean heavy cuts in supplies of dollar coal, cotton and POL. To extent available, replacements will have to be obtained from other currency areas, but since prices asked by non-dollar sources are substantially higher than for dollar commodities,

[1] Repeated to OSR.
[2] Not printed, but see Document 178.
[3] Not printed.
[4] Document 184.

this substitution will tend to exert further upward pressure on French price level. What is worse, cuts will mean severe slow-down in level of activity in number of industries, particularly steel, chemicals, rubber, cotton textiles, paper. All industries will be affected by cessation of purchases of dollar equipment and by coal shortage, which will also affect household users.

3. We have read internal memo prepared by MinFin experts in response to Mayer's instructions for inter-ministerial discussions today, which sets forth most recent forecast re French B/P prospects for 1951/52. Estimates and explanatory notes are being transmitted in immed following cable in hope they will be useful to you in connection with questions raised Paris Ecato 1408, [5] but more importantly as background for economic and financial crisis which is now reaching its peak in France. We do not consider that it would be useful at this time to prepare any new B/P estimates of our own. Recent developments have made all previous estimates completely out-of-date, and situation is now evolving so rapidly that it would be next to impossible for us to come up with any really meaningful figures.

4. MinFin experts are also engaged in making rough estimate of pattern of payments between now and next Jan 2 (that is, after year-end debt payments). They calculate that on basis of present trends and taking into account all receipts now in sight, they will just about be able to scrape through, provided that Office des Changes is not authorized to license any additional dollar transactions. For last five days MinFin has held up action on all requests from technical ministries for new dollar allocations, including Nov allocations for coal and POL. Interested ministries under chairmanship of Mayer are submitting recommendations to Cabinet for decisions first of next week on reduction in imports and on reductions in govt financed activity, consumption, production and military effort that such import cuts imply. French can be expected to raise immed in Wash urgent necessity of resuming aid allocations even in advance of proposed bilateral talks.

5. We will cable further developments soonest.

LABOUISSE

[5] Not printed.

No. 187

Secretary's Memoranda, lot 53D444, Memoranda of conversation

Memorandum of Conversation, by the Acting Secretary of State

CONFIDENTIAL WASHINGTON, November 2, 1951.

Subject: French Economic Situation.

Participants: Mr. Daridan, Minister Counselor, French Embassy
Mr. Francfort, Counselor, French Embassy
The Acting Secretary
Mr. Beigel, WE

Mr. Daridan handed me an *aide-mémoire* (copy attached) about the French import program. He explained in detail the reductions in imports that would be required if the French Government received no assurances about the level of dollar aid in 1951/52. He said that he was not informed about the timing of the proposed measures.

I indicated that the interested agencies are giving serious attention to the French situation and that we would study carefully the *aide-mémoire*. I said that we hope to begin bilateral talks in Paris next week, during which we expect to work out an interim aid allotment for France.

JAMES E. WEBB

[Enclosure]

CONFIDENTIAL WASHINGTON, November 2, 1951.

AIDE-MÉMOIRE [1]

As indicated in the letter from Rene Mayer to Mr. Harriman, dated October 22, 1951, [2] in the absence of any definite assurances with regard to the dollar aid that will be available from the US Government during 1951/52, the French Government has decided to establish a reduced program of dollar imports.

This program is based on the assumption that the dollar resources available for imports and freight will amount to $500 million, made up as follows: $200 million in economic aid; and $300 million from visible and invisible exports of the franc zone, plus the drawing down of dollar reserves which are already dangerously

[1] The source text identifies this as an informal translation.

[2] No such letter has been found in Department of State files. Presumably the reference is to Mayer's letter to Harriman transmitted to Washington on October 25 in telegram Toeca 1335, Document 184.

reduced, after taking into account dollar expenditures for other than imports and freight.

In establishing this emergency program, it has been necessary to take into account funds already obligated. In fact, during the first four months of 1951/52 the French Government has taken the risk of maintaining imports from the dollar area at the 1950/51 rate, which involves annual expenditures on the order of $850 million. It is necessary therefore to deduct from the emergency program the obligations undertaken since June 30, which amount to about $230 million. Only $270 million therefore will remain for the last eight months of 1951/52. Of this amount, it is necessary first to deduct $80 million (of which $15 million for freight) to cover various requirements of the Metropole and the indispensable needs of the overseas territories. Reductions in this category appear practically impossible. There will remain therefore $190 million, out of which the French Government must finance supplies of cotton, wheat, copper, equipment, coal and petroleum products, and freight charges thereon.

(A) With regard to cotton, requirements amount to $50 million dollars, but the French Government hopes to arrive at an agreement with the Export-Import Bank for a loan of this amount. No amount for cotton is included therefore in the $190 million.

(B) With regard to wheat, the requirements established by the National Wheat Office amount to $100 million. The Ministry of Finance and Economic Affairs believes that this amount can be reduced to $52 million, provided that we are able to obtain 200,000 tons from Eastern Europe, as well as run the risk of reducing our stocks to four weeks consumption requirements instead of six weeks. Even if these conditions are realized, it may be necessary to increase the rate of extraction.

(C) With regard to copper, the initial program was for $42 million, of which $15 million has already been spent. If we do not maintain intact the remainder of this amount ($27 million) we will not be able to acquire the amount of copper, already insufficient for our needs, which may be available to us. This will lead to serious difficulties, notably with regard to military production, and will require further restrictions on copper consumption.

(D) With regard to military requirements, roughly estimated at $19 million (of which about a third represents petroleum products), $4 million has already been obligated. The possibility of further reductions in the remaining $15 million appears slim.

(E) With regard to civil equipment, the credits requested by the Minister of Industry and the Ministry of Public Works totalled about $100 million. In eliminating all new orders for equipment, and in limiting imports to indispensable spare parts and to the completion of the Sollac rolling mill, this amount can be reduced to $44 million.

(F) With regard to coal and petroleum, $270 million was requested in the original program. It is necessary to reduce this amount

by 50 percent. This assumes that there will be no further imports of American coal after December 31, 1951. With regard to petroleum, our supplies from the dollar zone (which represent 50 percent of our total imports) will also be suspended after that date. Imports of petroleum products must henceforth be provided from sources other than the dollar zone. As of December 31, stocks will be insufficient to assure a regular supply for consumption, and the reinstitution of rationing is imminent.

It is unnecessary to emphasize the serious consequences which will follow the application of such a program, even if the optimistic assumptions on which it is based, in particular with regard to cotton and wheat, are realized. The fuel restrictions which will be required (with regard to coal and petroleum) are such that national industrial and agricultural activity, and consequently the defense effort, will be seriously compromised. With the best possible assumptions, the French economy will not be able to reach equilibrium except at a sharply reduced level of activity, and the increase in production foreseen in the OEEC Ministerial Declaration will be impossible. [3] The equilibrium in public finances will become still more difficult in 1952, as a result of this generally lower level of activity, and the consequent reduction in Treasury receipts.

[3] Regarding the OEEC Ministerial Declaration of August 29, see Documents 23 and 24.

No. 188

762A.5/11-1051: Telegram

The Ambassador in France (Bruce) to the Acting Secretary of State [1]

TOP SECRET PRIORITY PARIS, November 10, 1951—7 p.m.

2806. Toeca.

1. Basic issue confronting Fr Govt in discussions referred to Embtel 2753 of Nov 9 [2] is finding means to place France in a position to make an appropriate def contribution in Eur in forces and fin. Combination of increasing burden in Indochina and inability to obtain nec imports, threaten to keep Fr def forces in Eur at a level bringing success of entire Eur build-up into ques. This situation, of course, has an immed impact on improving Fr policy towards Ger. Gradually, France has been shifting from policy based on restrictions on Ger to one of integrating Ger into Eur community on a partnership basis. For such an approach to be acceptable to Fr

[1] Repeated to London and Bonn.
[2] Not printed.

public and officialdom it must of nec be based on France's contributing a mil force at least equal to that of Ger in the Eur community and on the prospect of this essential equality being permanent.

2. The questions of France making an adequate contribution to def of Eur and of relation of this contribution to that of Ger have recently become much more complicated:

(a) After planning figures ranging from 1250 to 1400 bil francs based on situation outlined in Embtels 8170 and 8171, [3] first real estimate for France's total mil budget for 1952 was brought down to 1070 bil francs as given in Fr TCC presentation.

(b) Cost of Indochina will rise from 310 bil francs in 51 to 400 bil francs in 52.

(c) Altho decisions not final, Fr have further complicated ques by proposing that Fr deep-seas Navy, 4 divs, *gendarmérie*, police, pensions, etc., wld remain outside of EDF. Such forces shld take up around 370 bil francs more of Fr mil budget.

(d) On basis of mil budget presented to TCC (which assumed cost of Fr forces in Ger wld continue to be paid by Ger) the most which France wld thus have available for Eur def wld be around 300 bil francs or a little over 4 bil DM. To an extent this figure is artificially low because nearly all reductions in TCC presentation were in mil production and infrastructure. Both of these items wld be in EDF budget and both wld presumably be increased at expense of other items in any balanced program at level of 1070 bil francs. On the other hand, if there were to be an adjustment in external value of franc, Fr contribution expressed in dols or marks wld probably be further reduced, making equalization of Fr-Gr financial contributions even more difficult.

(e) France's bal of payments difficulties may force further reductions in total mil budget estimate submitted to TCC. Other mil expenditures being relatively fixed (Indochina, pensions, etc.), most of these reductions will necessarily come out of France's contribution to def in Eur.

(f) Moreover, unless Fr can diminish expenditures in Indochina in order to make contribution in Eur, disparity with relation to Ger will become greater as financing of def build-up in Ger gets underway; therefore certain Fr def officials are tempted to favor Brit position of absolute parity for continuing occupation costs as a means both of financing part of Fr costs and of holding down size of Ger forces.

3. Most Fr officials accept that Eur def community, which is to be permanent institution, cannot be satisfactorily built around exceptional and temp situation arising for France because of Indochina. In their view, France shld go ahead and draw up EDC arrangements, both in terms of forces and financing, on assumption that Indochina burden on France will somehow be reduced before EDC treaty is ratified. They also agree that an effort shld be made

[3] Documents 171 and 172.

to include as large a volume of France's mil activity as possible inside Eur def forces. They have been pointing out in cab mtgs that desire for natls forces outside EDF limits Fr contribution to EDF; that this in turn tends to limit def contributions of Ger and other countries below their possibilities because level of their contribution will be related to certain percentage of Fr contribution to EDF; and that such a Fr policy thus wld tend to hinder rearmament of Eur. They point out that reverse is also true in that by increasing her contribution to EDF to figure adequate for def of Eur, France wld place pressure on other EDF countries to increase size of their def contributions. In gen, all Fr officials are of view that satis solution cannot be found until Fr cab and assembly can be assured that France is in a position to make a contribution adequate for Eur def.

4. Present difficulties can be expected to give rise to Fr hesitations on Ger questions in many contexts but it was almost immed apparent in internal discussions concerning volume of Ger def contribution in forces and fin. It was this situation and not EDF common budget or interim common financial arrangements that was essentially responsible for vagueness of Fr position in London.

BRUCE

No. 189

740.5/11-1351: Telegram

The Ambassador in France (Bruce) to the Acting Secretary of State [1]

SECRET PARIS, November 13, 1951—noon.

2827. Pass Defense and Bissell. PriMin asked Acheson, Harriman, Pace, myself to dinner Sunday night with himself, Queuille, Bidault, Mayer, Monnet, Bonnet. Acheson had been ill and unable attend but all others present. Schuman joined us after dinner.

Mayer stated French financial situation had deteriorated to point extreme danger which threatened France's ability to carry out expected share NATO military commitments, as well as financial solvency country itself. Without definite commitment within few days of sufficient Amer aid or US military expenditures in France to solve dol balance payments position military program wld have to be reduced materially and dol import program immed curtailed from 1 billion to 500 million dollars. Even the 500 million program assumes Amer aid around $200 million and US military expendi-

[1] Repeated to London and Frankfurt.

tures of $130 million. Such a cut wld gravely affect production for military purposes and have industrial, econ and social consequences of far-reaching and harmful significance.

Mayer said that new stringent credit regs were already proving effective, causing bitter opposition from various interests affected. Gasoline and tobacco taxes had lately been raised and were expected to result in 70 billion francs of added revenues, altho the gasoline tax was being contested in Parliament. He anticipated asking for an addit 200 to 300 billion francs in taxes which if granted wld make the tax burden in France even heavier than that in Great Brit.

Together with reduction in imports, Mayer intends to submit a program entailing cuts in reconstruction and investment, NATO contrib and Indochina operations in an effort to attain a budget balance by tax receipts and public borrowing. The latter source of revenue is strictly limited by lack of confidence in the value of the currency and a reduction in econ activity wld make borrowing nearly impossible. Alteration in the terms of trade and other factors render it extremely unlikely that France will reach its predicted dol export goal for 1952. Tourist dols are going largely to black market. Had it not been for rearmament program and tremendous rise price raw materials fol Korean war, France shld have had satis dol balance payments by 1952.

Bidault did not comment at any length. He said he was of course dependent on the FinMin for funds and that those in prospect wld make it impossible for him to carry out any satis rearmament program. For instance, altho France wld have ten divisions for NATO by end this year he cld only maintain seven of them next year.

Schuman, Queuille, Monnet, Bonnet did not advance any views, but agreed with Mayer's presentation.

Pleven endorsed all Mayer's observations and frequently responded himself to penetrating inquiries by Pace and Harriman. He also said that on Friday this week gasoline tax will be subj interpellations in Parliament and will lead to debate on whole polit and econ position of France. The govt will propose a vote of confidence on its policies next week and if defeated will of course leave office.

Pleven, like Mayer, particularly stressed the drain resulting from French efforts in Indochina were requiring expenses in French military budget of about 400 billion francs for calendar 1952 cld not possibly be met under present condits if the country was likewise to make its proper contrib to NATO. (Pleven told me privately that Mendes-France, who favors abandonment by France

of the Indochina undertaking, was obtaining more and more adherents in Parliament for his point of view.) [2]

BRUCE

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[2] In a preliminary draft of this telegram (Paris Embassy files, lot 58F53, France), Ambassador Bruce had added the following paragraphs which were subsequently deleted from the telegram when it was transmitted to the Department of State:

"In reference to the foregoing I conceive it to be my duty and that of this Embassy once more to try to call to the attention of the competent authorities in Washington the urgency of making immediate and definite commitments so far as those authorities have authority to meet all or part of the French dollar balance of payments problem. By not authorizing now the grant of credits which we eventually intend and will have to grant we are saving nothing in the long run for and the American taxpayer will have imperilled the whole stability of NATO defense plans.

"It is no satisfaction to refer to Cassandra like warnings on a subject being borne out by events but on this occasion it seems to me advisable to refer to some of our previous reports so that the gravity of the subject will not be overlooked by those who might think it represented another cry of alarm from the Paris Embassy and represented an undue bias in favor of the French.

"I should like especially to refer to my telegrams 8170 and 8171 of June 1951 [Documents 171 and 172] recommending the formulation of a consistent U.S. policy regarding the French rearmament situation. They were followed by a top secret memorandum of 80 pages in August 1951 entitled 'The Role of United States Policy in French Rearmament'. [Not found in Department of State files.] I cannot ascertain that any of these three communications were ever acknowledged although I know they were the cause of considerable discussion and dissension in Washington. They are only three amongst many telegrams and reports along similar lines which have been sent to Washington this year, and during my trip there in September I attempted as adequately as I could to explain toward what a really desperate situation this country was headed and that it would require the concerted action of our interested Government agencies as soon as appropriations were available if a disastrous state of affairs were to be averted."

The reasons behind Ambassador Bruce's decision to delete these paragraphs are unknown, but it may well be that he had the opportunity to convey his sentiments directly to the Secretary of State when Acheson visited Paris in November for meetings of the Foreign Ministers of the United States, the United Kingdom, and France. For documentation on these meetings, see vol. III, Part 1, pp. 1312 ff.

No. 190

740.5/11-1751: Telegram

The Embassy in France to the Acting Secretary of State [1]

SECRET NIACT PARIS, November 17, 1951—8 p.m.

2967. For the President and Acting Secretary; further distribution by S/S to ECA and Def. Further ref matter discussed in AmEmbassy Paris cable 2806 [2] and 2827,[3] we have been carrying on talks during past week with Lovett, Pace and Nash for Def, and with Harriman, Bruce and Labouisse (ECA).

Gen agreement reached that in view of problems faced by French as outlined in ref cable, US assistance and military expenditures in total amount of approx 650 millions by July 1, 1952 will be required if French are to meet Indochina burden and at same time come up with adequate contribution to def of Western Europe.

Difficulty recognized of making any reasonably firm estimate of military expenditures in view of interdependence of deployment on progress made toward readiness of bases and other facilities. Similar difficulty recognized in firming up estimated expenditures for US share of infrastructure costs and off-shore procurement. Nevertheless necessity recognized by all of giving French most definite ideas possible of what might be expected during 1952 in the way of US expenditures and assistance in order to permit them to support their def budgetary submissions in French Assembly debates which opened Friday, the 16th. Failing any definite info on this score, French wld be forced by seriously deteriorated balance of payments position to reduce def budget to level wholly unacceptable both for Indochina effort and NATO contribution. Moreover, as explained in detail in referenced cable, such action wld seriously impair progress toward resolution of problems of European def force and Ger contribution to def of Western Eur.

Since all agreed that, with every effort on part of both US and French to cut red tape and expedite to maximum extent, level of US assistance and military expenditures in fiscal 1952 cld reasonably be expected to approximate 650 millions, it was felt foolish in the extreme to deny this info to French at time when making it available to them might materially assist in strengthening their determination to go forward with an acceptable NATO and Indochina def effort.

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[1] Though unsigned, this telegram was presumably sent by Acheson; see the memorandum by Webb to the President, November 20, *infra*.

[2] Document 188.

[3] *Supra*.

Accordingly meeting was arranged for morning of Friday, the 16th (prior to the commencement of the Assembly debate) which was attended by Pleven, Schuman, Bidault, Mayer and Monnet for the French, and by Acheson, Harriman, Bruce, [4] Nash (for Def) and Labouisse (for ECA).

Opening the discussions, I emphasized the great importance of the next 90 days in getting the NATO rearmament program into the best possible focus and balance, completing a constructive report by the TCC, forwarding the solution of the Ger prcblem, etc. The success of these efforts wld be in no small measure dependent upon the ability of French Govt to continue leadership it has been giving to program for def of Western Eur while at same time continuing its campaign against Communist aggression in Indochina.

I said it was recognized that unless means were found to improve the French dollar balance of payments situation, it wld be necessary for them to make drastic cuts in their program of essential dollar imports which in turn wld have serious adverse effects on their military budget. I added that in an effort to be of assistance in this connection, I had taken advantage of the presence of Mr. Lovett in Paris to carry on exploratory discussions with him and Mr. Harriman and others to ascertain the level of US assistance and military expenditures which might be anticipated between now and July 1, 1952. We believed that it wld be altogether likely that a total of some 600 millions of dollars cld be achieved, provided the French and ourselves cld eliminate red tape and get ahead rapidly with the construction of the bases and facilities required to achieve the planned deployment of US forces. To this might be added a cotton loan from the Export-Import Bank in the amount of 50 millions which I said I believed cld be arranged.

Pleven agreed that the French also look on the next 90 days as a period of great importance for the future of Atlantic Community plans. He stressed that the effort which France was being called upon to make in Indochina, involving an expenditure of more than $1 billion in 1952, lay at the bottom of her present difficulties and expressed the hope that the US cld find some way of increasing the already highly important assistance we were giving in that area. He spoke of the difficult task his govt faced in getting through Parliament a budget involving heavy sacrifices, citing the necessity of cutting the postwar reconstruction program at a time when the French housing shortage continued to be acute. He said that he recognized the necessity of a business-like approach to cut through red tape and expedite the use of US aid but felt obliged to add that all the present difficulties cld not be attributed to slackness on the

[4] A copy of Bruce's draft notes on this meeting is in file 396.1–WA/11-1651.

part of the French Govt. The French had been "burned" on their expectations of aid from US during the first half of the present US fiscal year. The atmosphere of uncertainty in regard to US assistance in which France had been operating had destroyed any chance of rational planning.

Monnet expanded on this last point emphasizing that unless the US cld say definitely and immediately what over-all sum in dollars wld be spent in France in the first 6 months of 1952 there wld be a serious disintegration of the French NATO program and this wld have an inevitable effect on the French def production program. He thought this wld be a great pity since he felt certain the dollars were eventually going to be spent and he felt sure that if some advanced knowledge cld be given, France cld plan wisely and cld make a real def contribution in 1952. But, he concluded, while the technicians argued, dissolution was taking place.

Both Bidault and Mayer stressed the importance of getting ahead with a program of off-shore procurement. Both felt, however, that actual expenditures for off-shore procurement wld not develop rapidly enough to be of much assistance in the first half of 1952, and Mayer inquired whether it might not be possible to use some method of prefinancing such as advance purchases of francs. Mayer added that without an amount of American assistance greatly in excess of what has heretofore been indicated, it wld not be possible for France to carry on at the same time the three principal tasks of Indochina, NATO, and postwar reconstruction. He said that he was contemplating asking Parliament for additional taxes that wld make France the highest taxed country in NATO, and that he wld have to adjust the import program to whatever level of revenue he was able to attain. Mayer expressed an interest in the composition of the figure of 600 millions (exclusive of the 50 million cotton loan) of expenditure referred to at the outset of the discussion.

In reply I stated that I was not prepared at this time to indicate any specific break-down of the figure which I had advanced, stating that the development of the figure was a matter resting with Messrs. Lovett and Harriman. I added, however, that I felt the US cld give assurance that the 600 millions of expenditures wld be achieved through one means or another provided that together we were able to make the maximum advantage of the limited time available for the development of the requisite bases and other facilities. (Message unsigned)

No. 191

740.5/11-2051

Memorandum by the Acting Secretary of State to the President [1]

SECRET [WASHINGTON,] November 20, 1951.

Subject: Economic Assistance for France

The Secretary has reported about the general agreement that he and Mr. Harriman reached with the French Government on November 16, to provide United States economic assistance to France in an amount adequate to make possible the French defense effort in the coming year. The Secretary's report to you is contained in the attached telegram 2967 from Paris, dated November 17. [2] The agreement reflects the results of two weeks of negotiations with the French.

Our approach to the French in the aid negotiations has been that United States economic support for France in one form or another would be in an amount adequate to finance imports into France required to support the French defense effort and maintain a healthy French economy.

The French believe that the military situation in Indochina requires that they increase their military expenditures in that area by one-third next year. The French are also anxious, as are we, that they carry out a substantial program to increase their forces in Europe committed to Eisenhower. This latter program is not only essential to NATO defense plans in Western Europe but is also considered by the French to be a necessary prerequisite to the creation of German forces of the size which our military planners desire. It is the judgment of the United States negotiators that the French programs in Indochina and in Western Europe for the coming year are reasonable ones and justify our support.

The French Government is now presenting its calendar 1952 budget to Parliament. The budget presented, particularly as it relates to defense expenditures, is to a large extent dependent on how many dollars the French can count on having to cover their balance of payments deficit. Mr. Harriman and Secretaries Acheson and Lovett have agreed that the legitimate French dollar requirements during the current United States fiscal year would amount to $650 million. They have assured the French that a total of some $600 million will be available in the form of direct economic assistance and United States military expenditures in France. To

[1] Drafted by Beigel of WE and cleared with Martin of EUR.

[2] *Supra.*

this would be added a cotton loan from the Export-Import Bank of $50 million.

The fulfillment of this commitment to the French will probably necessitate the exercise by you of the power contained in Section 101 (b) of the Mutual Security Act of 1951, which authorizes transfer of 10 percent of funds appropriated for military end-item aid for use as economic assistance. Of the total of $580 million which is transferable in this manner, the French commitment might involve the transfer of $150 to $300 million, the exact amount depending on the rate of other United States military expenditures in France in 1951/52. Specific recommendations on the amount will be submitted to you on a subsequent date by the Director for Mutual Security. [3]

JAMES E. WEBB

[3] In telegram Actel 17 from Paris, November 20, Acheson reported that the current "French financial crisis" was "most critical and will, I fear, be disastrous to your great design in Europe if our govt cannot be in a position to act with clarity and decisiveness. But there is nothing to put to you at the moment. Further work here first is necessary." (740.5/11-2051)

No. 192

740.5/11-2151 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET PRIORITY PARIS, November 21, 1951—5 p. m.

3049. For Webb from Acheson and Harriman. Referring Deptel 2999, [1] commitment given French at mtg Pleven on Friday morning (Embtel 2967 [2]) was assurance that $600 million (excluding possible $50 million ExIm Bank cotton loan) of expenditures wld be achieved in France before June 30, 1952, through one means or another, provided French did necessary things with respect to bases and other facilities, and on assumption French come up with adequate contribution to defense of West Eur within the overall NATO framework being developed by TCC and continue Indochina effort. No indication given re specific breakdown of figure, but understanding on US side was that it might possibly be $300 million econ aid and $300 million US military expenditures. Our view was that to extent military expenditures shld exceed $300 million, we cld reduce econ aid figure. It was not contemplated by us that econ aid

[1] Telegram 2999 reported that Webb had forwarded telegram 2967 to the President as requested. (740.5/11-2051)

[2] Document 190.

wld exceed $300 million. Consequently do not envisage asking for transfer to France under Section 101(b) of more than $180 million and then only on conditions and assumptions set forth above.

Any action with respect to a possible transfer shld be held in abeyance pending further word from Mr. Harriman, which will follow discussion between him and Secy Def.

Pls bring this to President's attention. [3]

ACHESON

[3] This telegram was sent to the President under a covering memorandum, November 28. (740.5/11-2151)

No. 193

751.5-MAP/11-2251: Telegram

The Director of the Planning Staff of the Bureau of European Affairs (Labouisse) to the Administrator for Economic Cooperation (Foster) [1]

SECRET PRIORITY PARIS, November 22, 1951—6 p. m.

Toeca 1503. Toisa. Negotiations with French. I am today sending to Messrs. Harriman and Nash a memo reading as fols:

"1. The French have told us that, without more definite info from us concerning the nature and timing of dollar availabilities, they have serious problems in developing a realistic import program and a final military program and budget. As examples: (a) if there is no indication as to the breakdown between economic aid and mil expenditures, they cannot estimate the counterpart funds to be available; (b) if there is no way of telling whether mil expenditures will be for US account (i.e., US airfields, LOC, etc.) or for French, the French will find it difficult to know what to include in their own budget.

2. I have told the Fr that I would explore the possibilities what could be given them as tentative figures. I pointed out that such a breakdown could not be considered binding but would be very tentative and for illustrative purposes only.

3. I consider it most important that we meet the French on this point. I consider it also important that, in developing a tentative breakdown, we attempt to forecast as nearly as possible the manner in which we believe that dols will in fact be made available. If we continue to be vague and to resist setting forth tentative estimates of this nature, I believe that there will be misunderstandings between us and that the Fr will be discouraged from indicating their maximum possibilities and may set their import program

[1] Repeated to OSR

at such a low level as to endanger our mutual objectives of an increased defense effort.

4. In developing tentative figures, we should bear in mind the real difficulties in the way of actually spending large sums of dols for US mil airfields and infrastructures before June 30, 1952. I am sure that much can be done to expedite this work and the payments therefor, but I believe we will be fooling ourselves to think that $300 mil for these purposes can in fact be spent during this period. I am therefore setting forth in the fol para a suggested tentative breakdown for consideration by you and Washington. (I am also cabling this memo to Washington.) If such a breakdown, or some variation of it, is satisfactory to you and Washington, I would propose that we submit it to the French in an *aide-mémoire* which would (a) emphasize the fact that the figures are only tentative, and are submitted only to serve as planning assumptions for them in working out their estimates, (b) emphasize that our assurance to make the $500 mil available by one means or another, is contingent upon the Fr undertaking the maximum balanced defense effort possible in light of their financial and other limitations as well as upon their taking the steps necessary to expedite work on the airfields, LOC, etc., and upon our reaching a satisfactory understanding on the other points we have raised with the Fr in our bilateral discussions, and (c) state that the determination as to whether the defense effort is adequate and appropriate is a matter for consideration within the framework.

5. The fol is my suggested tenative breakdown for submission to the French:

Nature and timing of US dollar availabilities through June 30, 1952 (in millions of dollars):

1. Economic aid, total—170; time phasing—65; already allocated—105 to be allocated as soon as possible with expenditure by Feb 1st if necessary.

2. US military expenditures.

(a) Supplemental aid for Indochina, being petroleum and other mil end-use items for which Fr must pay dols, total—30; time phasing—as purchased.

(b) Off-shore procurement in France of military items to be produced in France for use in Indochina, total—100, time phasing—as payments to manufacturers are required.

(c) Off-shore procurement in France of mil items to be used by French NATO forces, total—100, time phasing—as payments to manufacturers—181 as required under contracts.

Grand total 600.

There appears to be no problem about items one and two (a) in the above list. Nor do I believe that item 2(d) poses any difficult problem, provided we can cut through red-tape. A serious and difficult problem is raised by items 2(b) and 2(c). As envisaged here, 2(b) would mean dol financing of a portion of the current and contemplated French mil production for Indochina. It would, however, free approximately 35 billion francs now in the Fr budget for Indochina

for Fr use in financing their NATO force requirements. Item 2(c) could mean dol financing of a portion of the current or planned Fr mil production for use by their NATO forces. On the other hand, it could mean financing mil production in France, either in lieu of end-items from the US or to cover items needed by France but not included in any current contracts. Under the TCC submission, no funds appear to be provided in the French budget to cover mil production for French NATO forces, although apparently contracts have been made totaling some 280 billion francs. In addition to these contracts, there is apparently an amount of mil production equivalent to 80 billion francs needed by the French but not contracted for. We therefore might apply our financing under item 2(c) to the latter production. The reason for suggesting these two items is that, realistically, it seems the most likely way of getting the dols into the French economy in time to permit an adequate French import program—unless we are prepared now to increase the economic aid figure. With respect toward end of period, say, about May 15, 1952, to envisage the advance purchase of French francs against contracts to cover needs for a brief period ahead recommendation:

That you approve the tentative breakdown set forth in para five and its transmission to the French with an *aide-mémoire* along the lines suggested in para four."

As stated in para four, if Messrs. Harriman and Nash and Washington approve the course suggested, we would propose to proceed along the lines set forth. I realize that there are serious difficulties to the procedure outlined, but I feel it important that all those concerned be informed of our considered judgment as to the action required in light of present French situation and of what has been said to them to date (see Embtel 2967 [2] and Toeca 1501 [3]).

LABOUISSE

[2] Document 190.
[3] Not printed.

No. 194

851.10/11-2351

Memorandum by A.M. Rosenson and J.L. Goetzmann of the Monetary Affairs Staff to the Director of the Office of Financial and Development Policy (Stinebower)

SECRET [WASHINGTON,] November 23, 1951.

Subject: Need of France for Interim Aid

It would appear from the following rough calculations that the French may require some interim dollar assistance if their reserves are not to become dangerously low or, alternatively, if they are not

to cut back on their defense effort in an attempt to prevent their reserves from dropping.

It is assumed that the French will get during the present fiscal year $300 million in economic aid and $300 million through military expenditures. They have already received $21 million against the former and approximately $25 million against the latter.

The French have made available three different dollar balance-of-payments estimates for FY 1952. We have used only one of these, i.e. the latest, which is based on intermediate assumptions between optimistic and pessimistic. We have adjusted this estimate as follows to allow for a restoration of the cut in dollar imports and to eliminate a credit item for receipts from U.S. military expenditures.

French estimate of FY 1952 B/P deficit (actually 387)	400
Add. Restoration of previous cut in dollar imports	325
Elimination of credit item reflecting U.S. military expenditures	125
Total dollar deficit FY 1952	850

Our next step is to estimate the dollar deficit still to be incurred in the remainder of this fiscal year. For this purpose we assume that five months of the fiscal year, i.e. July to November inclusive, have elapsed. We also assume that the dollar deficit in the first five months is equal to the reduction in hard-currency holdings *plus* the amount of economic aid and military expenditure dollars already received. We also assume that the amount of reserves above the psychologically inviolate gold holdings will be 75 at the end of November as compared to 96 on November 5. (It is to be noted that these assumptions are not necessarily correct, among other reasons because the Bank of France is known to manipulate its gold and dollar holdings by shifts into and out of U.S. Government securities.) On this basis we derive the dollar deficit for the first five months of the fiscal year as follows:

Gold and dollar "working reserves" on July 1, 1951	275	
Ditto on November 30, 1951	75	
		200

Add: Dollar "aid" receipts		
Economic aid	20	
Military expenditures	25	45
Total assumed dollar deficit, July to November, inclusive		245

As the deficit for the entire fiscal year was estimated at 850 and 245 of this deficit has already occurred, the deficit for the seven months December 1, 1951 to June 30, 1952, should be 605, or at an average rate of approximately $85 million a month, on the basis of the reconstituted dollar import program. At this rate, it is clear that with the $75 million assumed to be in its till on November 30, the Bank of France has only enough working reserves to see it through until December 31 before it scrapes bottom. Presumably the remaining economic aid of approximately 280 (i.e. 300 less the 20 already paid out) can be made available almost immediately. If this were done, the Bank's working reserves would rise to about 355, or sufficient to carry it through for approximately four months if we are prepared to see these reserves go down to zero, or approximately three months if it is considered that the present reserves are really the minimum consistent with safety.

It follows from the foregoing that *if* France is given the remainder of her economic aid almost at once and *if* receipts from U.S. military expenditures should begin to accrue in substantial volume by next February, France may be able to get by until the end of the fiscal year without any special short-term aid. If there are good grounds for believing, however, that either one of these conditions might not be met, it would appear from the foregoing that it would pay the French Government to try to obtain some short-term dollar funds somewhere to tide it over until the end of the fiscal year, by which time it is assumed the entire sum of $600 million in promised aid will have been delivered.

Caveat: The foregoing calculations are very rough indeed and based on a number of precarious assumptions both implicit and explicit. However, we are willing to submit this imperfect estimate as it is better than none, and may satisfy your requirement for a quick judgment. It might be added that the conclusion we come out with is generally consistent with a calculation by the French, made on a different basis, of the anticipated state of their reserves on January 2.

No. 195

740.5/11–2951: Telegram

The Secretary of State to the Department of State [1]

SECRET ROME, November 29, 1951—4 p.m.

Secto 111. Copy urgently to Treasury, Defense and ECA.

1. Schuman and Mayer have pressed us strongly since our recent talk in Paris with Pleven and members of his Cabinet to agree to their making reference in coming political and econ debates before French Parliament to assurance given to them during talk. Ref USDel Secto 94, Nov 27, 1951. After further conversations in Rome, Snyder, Lovett, Bruce, Wood and myself have informed Mayer of our agreement subject to self-explanatory letter from Amb Bruce and attached statement quoted below.

2. *Begin verbatim text.* I would agree that a statement along the following lines wld represent an accurate description of the present state of the negotiations between our two governments on United States assistance and on the undertakings of your govt which are to be a condition of that assistance. You, of course, understand that the attached statement merely represents my view of what you might wish to inform your Parliament and does not affect in any way the position of the US Govt as stated or to be stated by the US negotiating team in Paris. *End verbatim text.*

3. *Begin verbatim text of attached statement.* During the past ten days in Paris and in Rome, I have had a number of discussions with the Amer Cabinet Mins and officials responsible for the Mil Assistance Program—The Secy of State, the Secy of the Treas, the Secy of Defense and the Director of the Mutual Security Agency. In these conversations I have recd an assurance from them that the US Govt will undertake in consideration of an adequate French mil effort and other considerations to achieve a total expenditure of $600 million in France in the US fiscal year from July 1, 1951 to July 1, 1952. This will obviously be of assistance in connection with France's import requirements necessary for its defense effort. This total of $600 million will be made up of econ assistance, purchases by the US Defense Dept of milit production in France, and expenditures by the US Army, Air and Naval Forces for bases and milit construction in France and the French Union and provisioning of US Forces stationed in France. The agreed measures necessary to be taken by France and the US to facilitate the use of these funds by speeding construction of bases and other activities in the common defense effort are now being worked out. Our own milit program and defense budget are being defined and related to this level of expected dollar receipts and they will only be finally determined when TCC has completed its exercise. Bilateral conversations are now under way in Paris to reach definitive agreements

[1] Repeated to Paris and to London for Spofford.

between the two govts on these questions. A definite breakdown of the dollar expenditures is not now available but I can say that the assurance recd by us will permit the govt to restore certain of the serious reductions in essential basic imports that I had to propose last week. *End verbatim text.*

ACHESON

No. 196

751.5 MAP/11-2951: Telegram

The Director of the Planning Staff of the Bureau of European Affairs (Labouisse) to the Economic Cooperation Administrator (Foster) [1]

SECRET PRIORITY PARIS, November 29, 1951—4 p.m.

Toeca 1543. Ref: (a) Paris Toeca 1503 (Repto 1801) Nov 22. [2] (b) Washington-Paris telecon Nov 26. [3] (c) Paris Toeca 1526 (Repto 1828) Nov 27. (d) Paris Ecato 1612 (Torep 8954) Nov 28. [4] Toisa.

1. After full discussion with Harriman, Gordon, Tannenwald and Tasca, it was agreed that, in order to press forward with discussions here—particularly those involving military program and budget—it was important for us to submit tentative estimates to French.

2. Harriman of opinion that more preferable politically to pick up check on OSP for Indochina than to increase economic aid by same amount. Harriman felt, however, that we should not pick up check for OSP for France. (As indicated para 6, Toeca 1503, Item 2(c) of that tel could have meant picking up latter check or not, as we should decide.)

3. Harriman also of opinion that, in light of his understanding with Lovett and others here in Paris, it was preferable to show one item of $300 million as estimate of US expenditures in connection with air fields, infrastructure, LOC, etc. (As stated in refs (a) and (b) and as indicated in Toeca 1523, [5] I have serious doubts that such

[1] Repeated to Paris.

[2] Document 193.

[3] Not found in Department of State files.

[4] Telegram Toeca 1526, November 27, from Labouisse in Paris reported that negotiations with French officials on the nature and timing of dollar availabilities were hampered by American failure to make even a tentative commitment. Telegram Ecato 1612 from Bissell to Labouisse later that same day agreed that such a tentative commitment to dollar availabilities for France must be made for the purposes of negotiation at the soonest possible moment and that such a commitment from Washington would be forthcoming "within next day or two." (ECA message files, FRC 53A278, Paris)

[5] Not printed.

an amount can in fact be spent before end fiscal year. However, Harriman believes this point should be developed further, based on analyses by Defense Dept and French.)

4. In view of above, we handed to French yesterday afternoon an *aide-mémoire* as set forth in immediately following telegram (Toeca 1544 [5]). I regret very much that circumstances were such as to make this action necessary before final clearance of views with Washington.

5. Guindey expressed great appreciation on receipt of estimates, and clearly understood tentative nature and that we may wish to change them as time goes on. It was agreed that every precaution should be taken against publicity. Guindey expressed doubts re likelihood of realizing $300 millions expenditure estimated in Item 2(c) of *aide-mémoire*. He also said may be technical difficulties in working out procedures to handle financing of Items 2(a) and 2(b) of *aide-mémoire*, but on first impression he did not seem to think these difficulties insurmountable. French will consider further and will discuss in more detail in day or so.

6. Guindey asked about relationship between possible OSP for French or other NATO forces and estimated expenditures under Item 2(c) of *aide-mémoire*. We informed him intent last para *aide-mémoire* was to make sure that if dollar payments are made for OSP this fiscal year we might wish to consider those payments as constituting part of estimated dollar receipts under Item 2(c). We pointed out that if French did necessary things to expedite work on air fields and other facilities and to expedite OSP orders, the $300 million in Item 2(c) would not serve as a ceiling and slow up our willingness to press forward in these fields.

7. Working on basis our estimates, Guindey stated expected to work out new import program by end of week. Will telegraph it when received.

8. With respect military program and budget, Guindey said French should now be able prepare realistic program for discussion in TCC framework. I said our estimates were that the defense program should be in the neighborhood of 1,250 billion francs, having in mind indicated dollar availabilities and our very substantial end-item program, as well as possible savings by French elsewhere in budget. Guindey expressed doubts as to the amount, but indicated could be somewhat larger than 1,070 billion francs estimated. He indicated this naturally Ministerial decision.

9. We then discussed our need to know what French plans were for internal fiscal and economic measures to help stabilize situation. Guindey said they could give us statement concerning taxes,

credit controls, anti-trust, and possibly trade liberalization. Will discuss further at later date.

LABOUISSE

No. 197

Editorial Note

On December 5, Ambassador Bruce in Paris reported to the Acting Secretary of State in telegram 3338 that Georges Bidault had sent a letter to Averell Harriman as Chairman of the Temporary Council Committee (TCC) of the North Atlantic Treaty Organization "purporting to prove Fr effort outstanding and winding up with flat demand for 200 million dollars economic aid last half calendar 1951 and 715 million dollars first half 1952 for total of 915 million dollars in US fiscal year 1952. Letter states must be economic aid with counterpart and minimum amount necessary for Fr support 1,512 billion franc defense budget, which he claims is required to meet defense obligations as worked out by TCC." (740.5/12-551) For complete text of the telegram, see volume III, Part 1, page 368.

No. 198

740.5/12-1751: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

TOP SECRET NIACT PARIS, December 17, 1951—6 p.m.

3606. Immediate attention Secretary; distribution by Secretary's Office.

1. Last Friday Prime Minister Pleven asked General Eisenhower to come to see him. He explained serious situation in which his government found itself in attempting reconciliation between military tasks called for in report of TCC executive bureau and French financial resources. He told Eisenhower that unless US Government could help him to extent of over 100 billion francs in calendar year in addition to aid promised, he believed his government would fall over this problem. On Friday night Pleven took up same question with Harriman and myself. He said that tentative TCC conclusions regarding France had only been studied by him preceding day but that he did not see how French Government could sat-

[1] Repeated to London eyes only for Spofford and Gifford.

isfy its military requirements under NATO as set out in TCC screened French submission plus its commitments in Indochina within budgetary resources available to it. He stated that he had already succeeded on this same day in having legislation passed to raise 70 billion francs in additional taxes and that he had placed his program before Parliament for an additional 200 billion francs in taxation and expected to have to submit votes of confidence in attempt to obtain it. It would be politically impossible to raise more than this 270 billion francs in 1952 by taxation since opposition, which on this point constitutes a majority of National Assembly, had already served notice to him that they would consider no further recommendations in this regard.

Pleven further stated that, after frequent postponements of submission of military budget for 1952 to finance committee of National Assembly, officials of French Government will be forced to appear before it on Tuesday, December 18. This appearance can no longer be delayed and therefore tomorrow government must state its definite position on military budget.

2. Government's dilemma is that from a military standpoint, Pleven feels that if his 1952 military program does not amount to approximately 1280 billion francs of total expenditures, his government will fall. French mil state they could not meet bare minimum of present commitments and undertakings with a smaller figure and even this figure means serious cancellation of defense production underway. He believes Bidault would leave office rather than accept a smaller figure. (Expenditures at 1280 billion francs are above figure now being considered by TCC executive bureau as appropriate French financial contribution, including counterpart of US assistance.) On other hand, if Pleven attempts to obtain total military budget, including counterpart of presently scheduled US assistance, larger than 1177 billion francs, his government will also fall because of gap between revenues and expenditures. Faced with this situation, Pleven had been pondering whether in interest of all concerned his own resignation might not be preferable to what he believed would be a certain overthrow of government within a matter of days.

3. Pleven said that he appreciated very generous contributions which had been programmed for France by US Government, but that for reasons which had nothing to do with good will universally displayed by US officials in Washington, manner in which our assistance was contemplated did not make it possible for him to solve his present difficulties with National Assembly. (Pleven was alluding to fact that under our present tentative plans $300 million in military expenditures for US use would not generate counterpart.) He mentioned specifically that Paul Reynaud, as chairman of fi-

nance committee of National Assembly, was unalterably opposed to a budget which would disclose an uncovered gap.

4. Pleven further said that he realized that US Government was not in a position during fiscal year ending June 30, 1952 to insure that France would receive or earn more than $600 million previously discussed. He had discussed this question with his colleagues and felt that it was his duty to inform General Eisenhower, Mr. Harriman and myself of fact that they saw no solution to their present difficulties and that we should be prepared for the possible fall of French Government and possible consequences thereof including effects on North Atlantic Treaty Organization.

5. We questioned him as to whether investment and reconstruction portions of national budget could not be reduced. He answered that there were very few new projects in 1952 investment program, that in order to obtain their support for ratification of Schuman Plan, govt had been forced to make promises to Socialists for continuance of coal and steel investments and that govt as a whole regarded present investment program as a bare minimum. He said that same situation applied to the reconstruction portion of national budget. Only about 25 billion francs of it represented new commitments, remainder consisting of money to be applied to satisfaction of existing obligations.

6. I saw Pleven again on Saturday after further discussions between Harriman and myself regarding our interview with him on Friday. He said that he found himself in unfortunate position of predicting dire consequences if he could not somehow manage to get assistance to cover gap in his military budget. He was most anxious that in presenting this matter to the American Govt, I make it clear that he was not asking for additional dollars, but only additional flexibility to take care of his franc requirements and some indication of our executive board intentions after June 30, 1952. He thought best means of helping would be for us to take over certain French defense production contracts either let or to be let and which would otherwise have to be cancelled. He repeated what he had said emphatically to Harriman and myself preceding day that Indochina was at the heart of present difficulties. He felt that despite his many efforts and those of other French visitors to US to explain magnitude of problems involved in Indochinese war that they had been unsuccessful in convincing our officials of tragic situation, financially and otherwise, in which France found itself because of this operation. Indeed, the situation was becoming even more serious. In one day last week French Union Forces had lost 1000 men and had expended six weeks' ammunition in an engagement that had lasted only three days. Very same Viet Minh regiments which had been badly mauled a few months ago had again

appeared, brought up to full strength, completely equipped, well-officered, and in good fighting spirit. Undoubtedly this indicated a replenishment of troops, possibly including Chinese, and certainly furnishing by Chinese Communists of full equipment replacements. Current intelligence reports from Indochina indicate that Chinese Commies are preparing for greater and more active participation in that area. Moreover, Monnet had become so convinced in the course of TCC studies that drain imposed on France by carrying on Indochinese war would prevent an adequate defense in Europe that he, Monnet, was threatening to take an active role in presenting this view to French Parliament and French people. (In a conversation which I had with Monnet on Friday afternoon he had made same statement to me.)

7. Harriman made it clear to Pleven that US was not in a position to provide additional assistance at this time out of FY 1952 appropriations, but suggested that our services at least review situation to see whether anything helpful might be done within limits of understanding regarding $600 million.

8. After an informal review with French on Saturday and Sunday, it appeared French would undertake to finance full 1280 billion franc budget and resolve Pleven's dilemma if US admin would express willingness to recommend to Congress that aid to Indochina at level presently contemplated would continue and would transfer $100 million in form of economic assistance or off-shore purchasing of French defense contracts within $600 million figure for six months of 1952. Labouisse and I consider this to be workable solution to get an adequate French military effort in view of fact that these decisions will probably be taken by us in next few months in any case. (For example, there is no likelihood that US military expenditures for infrastructure, etc, will total $300 million in first six months of 1952.)

As it was apparent these decisions could not be taken before Tuesday, we suggested to Harriman that we advise French on fol lines:

(a) That US administration would seek congressional authority in connection with US fiscal year 1953 appropriations to permit aid to Indochina during last half of calendar year 1952 in amount of $130 million.

(b) That, within $600 million figure which forms basis of current bilateral negotiations, it wld increase amount of already scheduled economic assistance (or off-shore purchasing of French defense contracts) by $100 million out of present appropriated funds.

Above, of course, assumes that US and French representatives will reach a mutual understanding on satisfactory arrangements on various matters now under discussion, including progress of in-

frastructure, LOC, etc; procedures for off-shore procurements; productivity; use of counterpart; tax relief; appropriate economic and financial policies, etc.

9. I talked to Harriman on this subject earlier today. He feels that any action of this sort will have to be considered in Washington. He will take it up with authorities there shortly after he returns, probably on Thursday of this week.

10. Meanwhile, Pleven has sent for me to see him this afternoon. I will confine myself to explaining to him that action of this character cannot be taken without full consideration in Washington but that Labouisse and I will ask Washington to consider it. I will further state that it is not possible to expect a reply on it within a time that would satisfy his necessities in relation to budgetary presentation to financial committee nor, in fact, can I indicate to him when a reply will be forthcoming. I will attempt to prevail upon him to resolve differences within his cabinet and Parl on basis of such possible consideration and to avoid at all costs a failure of French Govt at this time. I do not know whether he can do so.

11. I have an engagement later in the evening to see Reynaud. I propose to tell him my personal hope that his committee will take no precipitous action. I will stress to him that situation will undoubtedly be much clearer and more satisfactory determinations can certainly be reached if satisfactory tentative budget is now settled upon and some way is found to postpone final and definite action on exact amounts to be budgeted until review of whole Western defense problem is completed at time of Lisbon meeting. I shall re-emphasize to him that US administration is without authority to make any promises regarding assistance beyond end of FY 1952, but that French shld know shortly after presentation of next US budget to Congress at least approximate range of amounts administration will suggest for various forms of foreign assistance in next fiscal year.

BRUCE

No. 199

851.00/12-1851: Telegram

The Ambassador in France (Bruce) to the Secretary of State

CONFIDENTIAL PARIS, December 18, 1951—3 p.m.

3624. Pass Treas and ECA/W. Re Paris Deptel 3383, Dec 7, rptd info London 2829. [1]

1. On basis US assurance re dollar availabilities totaling $600 million during FY 51/52 Fr Govt has again expanded 51/52 dol import program to $825 million as compared $500 million figure announced by Rene Mayer to Parliament Nov 16 (Paris Embtel 2966, Nov 18 [2]). We understand Fr del to GATT Mtgs in London being instructed to state that present policy of Fr Govt towards dol imports will be substantially same as during past year. Fr import program of around 825 million dols shld permit them to keep flow of dol imports at approx same level as that registered during '51. They stress, however, that they must slow down issuance of import licenses for time being, because present flow of dols forces them to live on a day-to-day basis. Their assumption is this will improve when final arrangements made with US Govt on econ aid and US mil expenditures but given precarious foreign exchange sitn, their policy towards dol imports must be subj to frequent re-examination. Del further instructed to give assurance responsible Fr authorities will do everything possible to avoid curtailments. Details of sitn being announced in ECA messages. (See Paris Toeca 1642, Dec 17, rptd info Paris Torep 1964 and Paris Toeca 1643, Dec 18, rptd info Torep. [3])

2. Fr have repeatedly pressed us on necessity for UK, Germany and Neths to restore liberalization of their trade. They are not now actively giving consideration to reimposition of restrictions on EPU trade themselves but fear they may ultimately be forced to do so. On internatl plane, they feel decision by France to go back on trade liberalization, fol upon announcement intensification of Brit restrictions, wld be signal for other members OEEC to take similar action and wld thus mean virtual collapse of entire program. Domestically they fear that if quantitative restrictions are restored, strong protectionist interests in French economy wld be in advantageous position to block new moves towards liberalization even if

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[1] Telegram 3383 contained a Department of State query as "to what extent, if at all, will French still intensify over-all dollar import restrictions" and also what plans the French had to intensify their nondollar restrictions in the EPU area. (394.31/12-551)

[2] Not printed.

[3] Neither printed.

improvement of foreign exchange sitn shld remove cause for which liberalization measures were revoked.

BRUCE

No. 200

740.5/12-1951: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

TOP SECRET NIACT PARIS, December 19, 1951—2 p.m.

3657. For immediate attention Perkins. Distribution by Secretary's Office. Re Embtel 3606, Dec 17. [2]

1. Pleven and Mayer appeared before Finance Comite of National Assembly yesterday. According to MinFin sources, they informed Comite that govt intended to increase calendar 1952 milit budget to 1190 billion franc figure (NATO presentation) recommended by Executive Bureau of TCC. Govt intended, however, that budget be provisional for first two months of 1952. Mayer explained that TCC report also recognizes that a milit program in Fr larger than that permitted by a budget of this size was necessary. Accordingly, negotiations are still underway with US and other NATO nations to determine how additional expenditures, particularly expenditures for additional production and infrastructure, over and above that which Fr can finance out of 1190 billion franc budget, might be financed and how much of these expenditures might have a priority higher than other NATO expenditures. Mayer stressed that final decisions may not be reached until February action on TCC report and that Comite may not receive final budget until that time. Mayer had informed Labouisse of his intention to make statement along above lines Monday evening.

2. Pleven's problem, however, is not resolved. Members on Finance Comite who are also on Defense Comite of National Assembly argued forcefully that figures presented to them did not agree with those submitted by Ministry of Defense as necessary for Fr milit establishments in 1952. Apparently they are not satisfied with presentation by Pleven and Mayer and stated that it wld probably be necessary for Minister of Finance and Minister of Defense to appear before Comite at same time. If Finance Comite makes its decision, discussions cld serve to exacerbate split in Fr Cabinet. Fr milit have refused to program at this level of expenditure so that we have no info on cutbacks in production and infra-

[1] Repeated to London eyes only for Spofford and Gifford.
[2] Document 198.

structure underway that wld have to be made to keep milit expenditures within 1190 billion franc figure nor do we have info on possible reduction in Fr force commitments that may be necessary. Cabinet and Parliamentary reaction will be most serious when this info is available. Certainly Fr attitude toward Indochina operations and otherwise will be adversely affected.

3. There is possibilty that Cabinet might attempt to appease Bidault and his supporters by increasing temporary budget to 1280 billion francs on representation that US Govt has been asked by Fr to consider two measures proposed in para 8 of Embtel 3606. However, this concession is strongly opposed by Finance Ministry. Mayer stressed to us that presentation to Finance Comite might only temporarily alleviate Cabinet difficulties on this question and urged repeatedly that US Govt make quick decision on proposed measures.

4. I saw Monnet last night who said that following Mayer's presentation Bidault had submitted a letter of resignation but had been induced to pocket it for time being. I had a similar experience with Bidault preceding evening. He feels that milit budget must be considerably higher but does not concern himself with how it wld be supplied with additional funds. His resignation at this period wld be exceedingly serious politically. I am trying to induce him to postpone any action of this nature at least until Lisbon meeting.

BRUCE

No. 201

Editorial Note

British Prime Minister Churchill and Foreign Secretary Eden traveled to Paris in mid-December for meetings with French Government officials. For a report on these meetings, see telegram 3663 from Paris, Document 457.

No. 202

751.00/12-2051: Despatch

The Ambassador in France (Bruce) to the Department of State [1]

CONFIDENTIAL
No. 1653

PARIS, December 20, 1951.

[1] Repeated to London, Moscow, Bonn, and all consular offices in France.

Subject: The French political situation as of December 15, 1951

1. Introduction

As the year 1951 draws to a close, the government of René Pleven lives in a temporary state of euphoria due to the unexpectedly large majority it obtained from the National Assembly, 377 to 233, on the occasion of the first reading of the Schuman Plan ratification law. [2] This gratifying vote cannot conceal the fact, however, that the Pleven government is in effect a minority government, that there exists no program at present for which a majority in the Assembly can be marshaled, and that the unresolved differences among the center parties are so deep that a crisis in the near future is quite likely. What will distinguish such a crisis from the previous ones during the life of the last National Assembly is that there is now the arithmetical possibility of a rightist government; and also that the divisions among the center parties are now not only along the lines of economic interest but also along ideological lines, thus making the reconstitution of a genuine center coalition more difficult than it has ever been since the liberation.

An analysis of the French political situation, from the point of view of the interests of the United States, must concern itself with (a) the stability, or lack of it, on the part of the present coalition—which is not the same as the stability of individual cabinets; and the stability of a possible different line-up or coalition; (b) the degree of unity that obtains, or that can be achieved, behind a French government; (c) the cooperation of the present French government, and of its likely successor, in the achievement of common foreign policy objectives; and (d) the intentions and capabilities of the present, or likely future, government in the matter of national defense. Since there are many political forces at work in France, and since the essential power of the state is held by the National Assembly to which all governments are at present directly responsible, the following simplified analysis begins with a brief explanation of the basic line-up in the French National Assembly.

2. The basic line-up

All France is divided into six parts: On one extreme is the Communist Party which obtained 26 percent of the popular vote in the June elections but which, due to alteration of the electoral law, has only one-sixth of the deputies in the Assembly. The Communist strength is due to a number of factors, among which the most important is that the French working class has been consistently disfavored in the distribution of the national income. The combination of democratic processes and enlightened employer self-interest,

[2] For documentation relating to the Schuman Plan, see Documents 43 ff.

which in other countries has allowed the labor share of the national income to be increased, has not become effective in France, partly due to the predominance of agricultural interests and the more or less permanent alliance between the urban middle-class, the employers (most of them small-scale), and most of the peasantry. Because the Communist party is so strong and obviously subservient to foreign interests and because the past governments have been so weak, there exists at the other end of the Assembly a strong pseudo-Fascist party, de Gaulle's RPF, which obtained 22 percent of the votes in the June elections and which has 120 seats, or one-fifth of the seats in the Assembly. The RPF seeks a strong government and a general abatement of the role of political parties and of Parliament. The totalitarian left and right together obtained slightly less than one-half of the votes in 1951 and have slightly more than one-third of the seats in the Assembly. The rest of the seats are held by the so-called "center parties."

There are four groupings of center parties, and there are good reasons why they should differ among themselves: First, there exists between them the usual dividing line between right and left, between economic liberalism and the advocacy of state planning and state control, in short, between the "haves" and the "have-nots": The Socialists (106 seats) and the MRP (97) incline toward the left in economic matters, though both are rigorously anti-Communist. The Radicals (RGR, 90 seats) and the Independents and Peasants (95), on the other hand, defend the farmers and middle and upper classes, and are opposed to excessive state interference in economic affairs. This is a split that exists in all countries in which there is freedom. It would exist in France even if the constitution and the electoral system were different. But there are very few countries in Europe in which the right and the left have been forced to govern together as long as they have been in France. Because the extreme right and the extreme left together are so strong, the unnatural center coalition has had to continue ever since 1947 when the Communists were thrown out of the government and a coalition of the left came to an end. It is as though left-wing Democrats and right-wing Republicans had had to govern together, or the British Conservatives and the Labor Party. To make matters worse, however, the center parties are not two but four, and the division among them goes not only according to economic interest but also, and differently, according to ideological tradition.

The Marxian Socialists and the Catholic MRP, we have seen, are both basically leftist and republican in outlook. They are deeply separated from each other, however, by ideology, notably by what is known as the church-school issue; and the same issue divides, though to a lesser extent, the Radicals from the Independents and

Peasants. The issue of state support for church schools, which on first sight appears so irrelevant to the major problems confronting France at the present time, is as basic an issue as the civil rights and states' rights issue in the United States which managed to split the Democratic Party in 1948, when foreign observers also were struck by the seeming irrelevance of the issue. In France, the church had long been associated with the monarchy, and republicans had to fight it along with the kings and the aristocracy. Later, the church became associated with the destruction of French democracy. In 1850, Napoleon III had given the church a virtual monopoly on education in France, to fasten more securely upon the country an anti-republican regime. Fifty years later, the Third Republic terminated all church privileges in France and made state education non-religious, as it is in the United States. In the year that is now ending, the pendulum has begun to swing again in the other direction, and two laws have been passed which admit the principle of state aid to religious education. So far, only the camel's nose is under the tent, but passage of those laws represented a milestone in French history and was sufficient to bring about a profound division among the center parties.

The church-school laws, which were enacted in September 1951, were voted with the help of the Gaullists, against whom the center parties had united only three months before in the national elections. The voting of those laws broke the center coalition and drove the Socialists into a position of precarious support of the government, which they refrained from overthrowing at the next opportunity only because this would have increased the likelihood of a deal between the right-center parties and the RPF. The voting of the church-school laws illustrates, in any event, that in contra-distinction to the previous Assembly the present one has a potential majority that would include the RPF. The major reason why such a coalition (which would be largely confined to the RPF, Independents, Peasants, and Radicals) has not been brought about so far is that de Gaulle insists upon acceptance of his program by his potential coalition partners—in other words, that he wishes them to capitulate to him rather than join him in a conventional-type coalition.

3. Stability, and lack of it

The French, for reasons closely bound up with the history of democracy in their country—they have had unfortunate experiences with "strong" government—are operating under a constitution which attaches virtually no penalty to the overthrow of a cabinet. Only under very closely circumscribed conditions is the parliament dissolved in the event it votes a government out of office. Conse-

quently, the changing of individual cabinets is hardly an index of governmental stability: Cabinets can succeed each other which are virtually identical and which pursue virtually identical policies. What matters from the point of view of governmental stability is the continuity of coalitions. What distinguishes the present situation from that which prevailed immediately before the June elections is that not only the coalition itself is precarious, but a different coalition can eventually come into being.

It is an arithmetical fact of this Assembly that no three of the four diverse center party elements have between them a majority. The present government bases itself only on three, with the fourth, as we have seen, grudgingly lending support. Whenever the RPF combines with the Socialists on an economic issue, with the Communists going along for tactical reasons of their own, the government is outvoted and, if it puts the question of confidence, voted out of office. The government was thus outvoted in the first reading of the escalator wage law in November, at which time it announced that it would put the confidence question when the law returns from the Council of the Republic. This issue and the budget issue, both of them economic in nature, can bring about the fall of the government in the near future. Another issue on which the Gaullists, Socialists, and Communists might combine their forces and bring the government down might be the issue of the European Army, which is at present still gestating. In any event, when the Pleven government falls—and no French government lives long under the present type of constitution—the ensuing crisis is likely to be long (it was four weeks before the present government could be constituted), and the question will become acute as to whether a government with the RPF can be constituted.

If de Gaulle were suddenly to be removed from the scene, or if his control over the RPF were weakened, the formation of a successor government to the one now in office would be a relatively simple matter: The 120 deputies of the RPF would in all likelihood join up with the Independents, Peasants, Radicals and some MRP to form a moderately rightist government. The Socialist party would then become a constructive opposition, which might enable it to recover a portion of the working-class support that it has lost over the last years because it never could afford to follow outright opposition policies for fear of creating a hopeless deadlock or upsetting the regime; and the government, being more homogeneous than the previous governments and less fearful of endangering the basic republican fabric of France, would be able to embark upon consistent long-range policies akin to those which a conservative government in any other democratic country would follow. The result would be a more purposeful attack on France's economic

problems, with consequent beneficial effects in reducing Communist strength, and an enhancement of the moral standing of the Socialist Party, with the same kind of beneficial long-range effects.

Because de Gaulle is not only alive, however, but in good health and in control of the bloc of 120 RPF votes in the National Assembly, the problem presents itself in an entirely different light: If the RPF were to enter a coalition in the normal manner in which other parties enter coalition governments, on the basis of compromises between divergent programs and interests, de Gaulle would lose the prestige that accrues to him as the potential leader of a government standing "above the parties", which he advocates. Moreover, if he or one of his lieutenants were to take the helm of such a government only to be overthrown in the usual manner in which French governments are voted out of office, the loss of his prestige would be such as to virtually finish the RPF as a movement.

Consequently, de Gaulle still insists not only upon leadership and control of an eventual coalition government, but also upon acceptance beforehand, by his potential "coalition" partners, of a program that involves the strengthening of the executive, so that it could not be overthrown as easily as have been past French governments. Putting it more bluntly, de Gaulle at present desires a blank check for power and will not settle for anything less. From his point of view, he is correct in asking for such a blank check, for there are many among the center parties who would be delighted to see a Gaullist-led coalition government brought into being in the conventional manner precisely because they would wish to overthrow it at the first opportunity and thereby discredit the General and eventually pry off a sizeable portion of his following.

The kind of government sought by de Gaulle, under the conditions envisaged by him, can only be created in France under the impact of a grave crisis, under the influence of a strong shock which might exasperate a sufficient number of deputies to the point where they would be willing either to dissolve the Assembly and call new elections or to try the Gaullist experiment as the only remaining remedy. De Gaulle thus has a vested interest at this time in economic collapse, permanent deadlock among the center parties, prolonged crisis and the threat of military disaster. He might also, at the appropriate time, attempt to create and foster an emergency atmosphere to put pressure on the center deputies in the Assembly. But in the absence of such a "coup d'amalgam", such a shock that might produce a new line-up, the requisite number of centrist deputies (nearly 200 would be needed) are not likely to buy a Gaullist-led coalition on de Gaulle's terms. Because many Gaullist deputies know this, there is a growing movement

among them to ask the General to reduce his terms, accept the risks of a more conventional coalition, and move his men into government offices. As time goes on, and as it becomes more apparent that de Gaulle's gamble of "everything or nothing" may not pay off, the dissension in the RPF can be expected to increase, until the choice confronting the General may be a split in his own forces or a relaxation of his own terms for the formation of a right-center government.

As the year draws to a close, the situation thus presents itself as a race, as it were, between the disintegrating tendencies of the center (Pleven) government, and the incipient disintegrating tendencies of de Gaulle's RPF. Cracks are appearing in the government, notably in connection with the budget, but cracks have also appeared in the RPF: On the occasion of the vote on the Schuman Plan, seven (out of 119) RPF and affiliated deputies proved no longer susceptible to Gaullist discipline. Under normal conditions, this could be the beginning of a serious schism, but as the government falters and stumbles, the RPF may regroup its forces again in the hope of being in on the kill and the subsequent division of spoils. At the present time, only a very prolonged crisis appears likely to produce the kind of capitulation that de Gaulle is seeking. If the government stumbles and falls, but is able to pick itself up again relatively quickly and can reconstitute itself with the same centrist elements, the disintegrating tendencies of the RPF may overtake those of the center parties; in which case a more conventional type of right-center government, built with the help of debris of the RPF, would become a possibility.

4. What unity is obtainable?

Because most governmental decisions in the last years have been, and had to be, the result of compromises between the divergent center parties, and because the crucial problems of a redistribution of economic burdens and of constitutional reform have proved incapable of solution by compromise, the fact is often lost sight of that the center parties have in general pursued fairly consistent policies since they started to govern together: They are united on basic foreign policy objectives and on the basic necessity of a strong defense effort. They are still united on the necessity of pursuing the war in Indochina, on keeping up a minimum long-range reconstruction program, and in particular, as the recent confidence vote has shown, on pursuing a long-range policy of European integration. These policies are not identified with any one party, however, and no government has as such benefited from any widespread feeling of loyalty on the part of the voting public. On the contrary, it can be said that the prevailing public attitude toward

the present government and all its recent predecessors is one of resigned exasperation and support for the lesser evil. Even the 52 percent of the country who voted for the center parties in the June elections are aware of the essential weakness of the center governments, their seemingly petty internal divisions, and in particular their inability to master the problem of inflation.

Does this mean that the public at large, a majority of the voting population, would welcome a strong government if de Gaulle could succeed in creating one by legitimate means? There is at present no indication that this is so. If there were an acute crisis—a new Korean war, for instance, closer to France—there would probably be a widespread acquiescence in a surrender of democratic freedom in order to obtain a stronger French government. In the event of such an emergency, there might be sighs of relief on the part of many people even if de Gaulle cut through the constitutional processes and made an end with the quarrels of the innumerable groups in the Assembly. But this would be a reaction under emergency conditions.

A Gaullist government would never be accepted by the Socialist Party, nor by a majority of the basically leftist MRP. The suspicions vis-à-vis de Gaulle are so strong on the left (and the left in France, if one includes the Communists, still represents more than 50 percent of the voting public), the basic belief in republican institutions is still so strong not only on the left but also among substantial elements even on the reactionary right, that a Gaullist government would only seemingly involve a greater degree of unity: It has been said that the recent elections, which artificially reduced the representation of the Communists, "broke the thermometer and then pretended that the temperature of the patient had dropped." This is partly true—although minorities, even strong minorities, are in most democratic countries not represented proportionately in parliament. If de Gaulle were to come to power, however, if he were to outlaw the Communists, rule by decree, silence the democratic opposition and proceed to build a "strong France", one might say that the internal pressures and divisions of France would continue, only the pressure gauge (and safety valve) would have been removed. In the absence of an effective legitimate opposition, the temptation on the part of the Socialists to go underground, to affiliate in some form with the Communists, to draw other republican elements into a new kind of Popular Front, would be strong, even though it would not be immediately apparent.

The irony of the situation is that many of the program points advocated by de Gaulle, notably with respect to a reform of the constitution, are widely recognized to be reasonable and necessary, but would meet with furious resistance from the left and parts of the

center because of distrust of the General and the RPF, of their future plans, of the manner in which they would implement such reforms if de Gaulle were to come to office. It can therefore be said that while there is disunity at present, there would also be disunity, of a different kind, if de Gaulle were in control; but that, if the RPF were to break up some time, a good number of the objectives of de Gaulle which look toward creating the conditions for a stronger executive in France, might well be achieved. By a tragic twist of history, de Gaulle, whose major emotional appeal to Frenchmen is the call for national unity, has become the major element that prevents a broader unity from being brought about in France at the present time.

5. Prospects for foreign policy and national defense

As long as the present type of government remains in office, one can expect a combination of basic cooperativeness within the Atlantic alliance, inefficiency, slow but steady progress in the armament effort, and a pursuit of the French policies that look toward European integration through a functional approach. The present government is straining at the limits of what is politically, and perhaps economically, possible in the field of defense under present conditions, and it is embarked on a policy with respect to the European Army which will also subject to tremendous strain the cohesion between the center parties and the cohesion within those parties. The center parties have not yet faced up to the likely disastrous repercussions that would occur if the European Army should fail of acceptance—the new and still more impossible dilemmas that would face the French in their relations with Germany and with the United States. It is too early, therefore, to speculate regarding the obstacles that stand in the way of the achievement of that particular policy.

With respect to France's economic capacity and willingness to make increased sacrifices for national defense both in Europe and in Indochina, one can predict, however, that under the present type of government a reaction may develop, as it has in Great Britain, against what is believed to be an excessive rate of armament and an excessive commitment of the French economy to tasks which are believed by many to be beyond the capabilities of France. In the Radical Socialist Party, the school of thought that would write off the Indochinese war or transfer the commitment in whole or in part to the United States or the United Nations, centers around the figure of Mendés-France. The Socialists might under certain conditions rally to such policies of cutting back the French overseas commitments, even though at present the Socialist Party is still behind the war effort in Indochina. If a reaction along such

lines were to occur, it would probably be greeted with glee by the French spokesmen of neutralism and by the advocates of appeasement policies, but if it became of any importance it would be essentially a nationalist reaction and a reaction of elements that are most fearful of the inflationary pressures on the French economy—a reaction that would in any event draw its principal strength from groups that are solidly committed to the Atlantic alliance and to the policy of a build-up of deterrent forces in Europe.

What, however, if there were to occur the complete change in the governing majority and in the type of government, as it is sought by de Gaulle? According to his electoral platform and his propaganda appeals, there would ensue a vastly increased defense effort. The ensuing buoyed-up national self-confidence would restore internal credit, prices would be stabilized and the living standard of the workers (partly due to the "association" of capital and labor) would be at least maintained or increased even while the heightened armament activity went forward. As France's prestige, well-being, and sense of security increased—still according to the RPF—Communist strength would decline, aside from the fact that rigorous measures would be taken against "separatist" activity. Actually, however, a government run by the RPF would only be able to arrest inflation by applying rigorous economic controls, which initially it would be unlikely to do because the imposition of such controls would still further lessen the support behind it.

More likely, a government in which de Gaulle has the deciding word would begin in office by throwing certain benefits to the workers in an attempt to create a greater degree of unity behind it. Such a policy, if not coupled with a corresponding decrease in the income of other classes, would do little to stop inflationary tendencies and would hardly enable defense production to be substantially increased. The redistribution of the national income, coupled with rigorous controls that might make a larger defense effort possible, could only be expected from an RPF government that was secure in its tenure of power. As has been shown above, such a security of tenure is not at present in the cards for any government led by de Gaulle, except temporarily under disaster conditions.

In the foreign policy field, any French government coming into office after a defeat of the European Army ("Pleven") plan would probably be no longer capable of materially influencing the course of events in Germany. It might, by refusing to countenance a German defense contribution also outside of a European Army, provoke the rupture of the Allied High Commission and even of NATO, but it would probably have lost a direct influence on the future development of joint defense policies in Europe—regardless of whether it was a rightist or center government. This is a contin-

gency, however, which involves so many consequences that to discuss it would far transcend the framework of the present analysis. In any event, it can be said that if a right-center coalition government were to come into being before the final decision had been reached on the European Army, it would probably substantially follow the foreign policies of the present coalition.

If, on the other hand, the present coalition were to be followed by an outright Gaullist government, one can expect new conditions being interposed to a German defense contribution, or in any event an issue being made of Franco-German equality. Such a government might demand the supreme direction of land and air defenses in Europe for France and would ask a renegotiation of the accords under which the U.S. is permitted to build up the common defense through installations in France and North Africa. In short, the best that can be expected from a successor government to the present type of government, is a continuation of its basic foreign policies. A straight rightist government in France would not only be of doubtful effectiveness as far as increasing the French short-run military effort is concerned, but it would reduce, rather than increase, the unity among the western powers in Europe.

6. Summary and conclusions

The Pleven government continues to rest on a shaky foundation. Passage of the church-school laws has marked a turning point in French politics by dividing the center parties and illustrating the possibility, which did not exist before the June elections, of forming a right-center government with de Gaulle's RPF. The major obstacle to the formation of such a government is de Gaulle himself, who is not prepared at this time for a coalition government over which he would not have full control. The kind of government sought by de Gaulle is only likely to come about by a profound shock and in an emergency atmosphere. Within the RPF, there is a growing movement to ask the General to reduce his terms and to accept the risks of a conventional kind of coalition. As the year draws to a close, the situation presents itself as a race, as it were, between the disintegrating tendencies of the center (Pleven) government, and the incipient disintegrating tendencies of the RPF. If the present coalition falls apart but is able to reconstitute itself relatively quickly with the same centrist elements, the disintegrating tendencies of the RPF may overtake those of the center parties, and a right-center coalition government (in which de Gaulle would not be dominant) may eventually be brought into being.

From the point of view of unity behind a government, while the present type of government had behind it only slightly more than one-half of the voters, a Gaullist-led government would not have

the acceptance of a larger portion of the population. Although the present government is often disunited and moves slowly and by compromises, it has followed a consistent policy in defense and foreign affairs and is likely to continue to do so. Difficulties are looming up in the latter field in connection with the European Army, but a different kind of government is not likely to produce less difficulty in that regard. A possible incipient trend may exist which looks toward a scaling-down of the French defense effort, or a shifting of the burden in Indochina. Even if this trend were to become accentuated, it would be carried forward by groups that are fully committed to the concept of collective defense within the framework of NATO. A rightist government is not likely to simplify the problem of dealing with France in the defense and foreign affairs fields.

What long-range hopes exist for the development of more cohesiveness of the political forces and for greater effectiveness of the republican institutions of France, reside in reform of the constitution and of the electoral law, both of which are widely recognized to be in need of overhauling and revision. This does not mean that France can ever be expected to develop a two-party system or a pattern of conducting its affairs resembling that of the United States. But in the short run, some progress might be made in the direction of creating a better balance between the legislative and executive branches of the government, provided the republican institutions themselves do not appear endangered by such reform. Because of the fear of a fascist dictatorship, important progress in constitutional reform in a democratic direction, can only be expected if the prospect of a straight Gaullist government recedes into the background. Some basic change in the governing coalition is likely to occur in the coming year. As 1951 draws to a close, therefore, the race described above, between the disintegrating tendencies of the center coalition and the disintegrating tendencies of the RPF, has a certain dramatic import: The year 1952 may show whether France will have an opportunity to improve and eventually to perfect its republican institutions.

DAVID BRUCE

No. 203

751.5-MSP/12-2651. Telegram

The Director of the Planning Staff of the Bureau of European Affairs (Labouisse) to the Economic Cooperation Administrator (Foster) [1]

SECRET PRIORITY PARIS, December 26, 1951—10 p.m.

Toeca 1677. ECA/Wash personal for Bissell from Labouisse; OSR, personal for Porter. Toisa.

1. Immed fol tel [2] contains text of draft memo of understanding which I propose be initialled by French and ourselves and serve as record of recent series of bilateral talks.

2. I gave this draft on purely informal basis to Clermont-Tonnerre December 24, and he is now examining it. I explained that draft memo had been seen only by Timmons and me and had not been cleared on our side and that we wld undoubtedly have changes to suggest, as wld he. Several points in memo are not yet finally agreed by French.

3. I believe that most of draft text is self-explanatory. However, we will telegraph separately with respect to section on counterpart. [3]

4. We have not yet recd list of productivity uses to which 12.5 bil francs in counterpart wld be allocated. We wld of course not initial memo of understanding until satisfactory list agreed upon.

5. We are also awaiting comprehensive statement from French on their econ and fin policies, and likewise propose withholding our agreement until such statement is forthcoming. Points which we understand French will cover in statement include such matters as monopolistic practices, credit controls, taxes.

6. In conclusion, I feel that the major objective of our bilateral negots with France has been achieved, with their agreement to a def budget equivalent, in NATO terms, to the figure contained in the TCC recommendation. Further, in our numerous discussions with French on other points, such as productivity and infrastructure, I sense real willingness to move forward along lines we desire. We fully recognize, however, that these good intentions cld be frustrated by any one of a number of possible developments. Having obtained general commitments and understandings, it remains for us to work closely with Fr to aid and encourage them in transforming their pledges into concrete programs. It is in this

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[1] Repeated to OSR.

[2] Toeca 1678, *infra*.

[3] Not found in Department of State files.

light that I hope you will consider draft memo. I realize that various special interests may not feel that details are sufficiently spelled out, but it was clearly impossible to do so and conclude the bilateral discussions within any reasonable period of time. I feel that memo gives us useful base from which we can work with Fr in elaboration of programs (exam of content of mil budget, productivity etc) and resolution of difficulties, reminding Fr as necessary of their general undertakings. I believe it is good strategy to conclude present discussions as rapidly as possible in order detailed implementation may begin. I wld therefore strongly urge that you send me clearance by end present week, in order that I can in turn urge Fr to reach remaining decisions on their side and be ready to initial memo end this week or immed after New Year's. In giving us clearance for memo along general lines our draft, or as you may wish it revised, hope you will accept necessity for granting maximum flexibility in agreeing changes this end.

LABOUISSE

No. 204

751.5-MSP/12-2651: Telegram

The Director of the Planning Staff of the Bureau of European Affairs (Labouisse) to the Economic Cooperation Administrator (Foster) [1]

SECRET PRIORITY PARIS, December 26, 1951—10 p.m.

Toeca 1678. Toisa. Ref my immediately preceding tel, Paris Toeca 1677, [2] fol is text memo of understanding:

Begin text. I. Reps of govts of France and US have consulted together during past few weeks with view to reaching understanding on certain matters of mutual concern and interest. It was recognized on both sides that problem of overriding consideration was necessity of finding procedures which wld enable France to develop maximum def program in line with her econ and fin capabilities. In this connection it was fully recognized that whereas certain assistance cld be given to France by the US, main determinations of policy and action to ensure def effort compatible with firm and stable econ base rested with the French govt.

II. It was further recognized that the realization of a French mil effort necessary to enable France to play her role in building her forces for the def of Eur, as well as to support her forces fighting in Indochina, was dependent among other important factors, upon the ability of France to maintain an adequate level of dol imports. It

[1] Repeated to OSR.

[2] *Supra.*

was agreed that the French financial situation was such that there was need for the most careful programming of imports based on the best possible estimate of the amount of dols that wld be available from all sources to meet import needs in order to maintain an adequate level of def and econ activity. The French reps estimated that a dol import program of approximately $825 million for the fiscal year July 1, 1951, thru June 30, 1952 was the minimum necessary to accomplish this purpose.

III. After a careful evaluation of availabilities and needs, the US govt represented to the French govt that, during the fiscal year July 1, 1951, to June 30, 1952, a total of $600 million wld be made available to France, by one means or another, thru expenditures under the US def programs and the mutual security program. These dol availabilities are in addition to "end-item" assistance to France in the form of mil equipment.

IV. In being prepared to make the above reps, it was understood by the US side that the French govt wld undertake the maximum balanced def effort possible in light of its financial and other limitations and that satisfactory arrangements wld be developed to meet the other points referred to below.

V. At the request of the French side, the US has made the fol tentative estimate as to the nature and timing of the availabilities of the above-mentioned $600 million:

Blank	*Total*	*Time phasing*
1. Econ aid	170	141 already allocated. 29 to be allocated as soon as possible with expenditure by Feb 1 if necessary.
2. US mil expenditures:	30	As purchased.
(a) Supplemental aid for Indochina, being petroleum and other mil end-use items for which French must pay dols.		
(b) Off-shore procurement in France of mil items to be produced in France for use in Indochina.	100	As payments to manufactures are required.
(c) Expenditures in connection with airfields, telecommunications, and other infrastructure, line of communications, troops expenditures, etc.	300	19 already spent. 281 as required under contracts.
	600	

VI. With regard to above table, it shld be noted that, aside from the basic allotment of $170 million set forth in item 1, the figs are estimates which may be exceeded in some cases and not fully realized in others. Accordingly, it will be necessary to make adjustments in the estimates as the year progresses to take account of such developments. It shld be especially noted that in order to realize the figure of $300 million, set forth in item two (c) of above table, it will be necessary to make the maximum possible effort with respect to work on the airfields, telecommunications, infrastructure, line of communications, and the like.

VII. It is planned by the US to undertake offshore procurement in France of mil items to be used by French and other NATO forces, dol payments for which might be applied against item 2 (c) in the above estimate shld analysis indicate the unlikelihood of that estimate being fully realized.

VIII. For its part, the French govt has determined that it will develop and carry forward a mil program consistent with the financial outlay recommended for France in the report of the temporary council comite of NATO (for remainder of this sentence see immediately fol top secret tel). The French govt states, however, that it desires to develop a larger mil prog. This question will continue under consideration until the mtg of the NATO in Lisbon in early Feb.

IX. In addition to the above understandings, the representatives of the two govts reached understandings on a number of points, as fols:

Infrastructure, LOC, etc.

It was agreed that both sides must continue their efforts to expedite work on airfields, telecommunications, infrastructure, lines of communication and other facilities necessary for the support of NATO def forces including US forces, in Eur. It was recognized that a large portion of the $600 million availabilities referred to above wld derive from US expenditures for these purposes. Accordingly, the French side expressed its determination to effect such changes in present arrangements and procedures as may be required to permit work to proceed at the fastest possible pace.

Productivity.

The French reps explained in some detail the measures being undertaken to intensify the productivity program upon which the French govt has embarked. The French reps affirmed that this program has as its objective the sharing of the benefits of increased productivity thru higher wages and lower prices, and stated that concrete measures to these ends will be instituted.

The French reps explained that the productivity program is to operate directly thru production assistance and technical assistance to individual firms and industries and that in addition other appropriate econ and fin measures are to be proposed to provide incentives for increasing productivity and to re-enforce the direct programs of technical assistance. The French reps have supplied the Amer reps with a list aggregating 12.5 billion francs, in which it is proposed that counterpart financing be applied to loans to private industry designed to promote productivity, as well as to high priority production progs in the fields of agriculture. The French reps also stated that appropriate measures wld be taken to strengthen the existing productivity agencies of the French govt, and to provide them with the necessary staff and facilities to carry out the intensified program which it is the firm policy of the French govt to promote. The French reps expressed the determination of their govt to prevent interference with the productivity prog by restrictive practices.

The Amer reps took note of these French statements. The Amer reps welcome the decision of the French govt to intensify its productivity program and to promote thru concrete measures the sharing of the benefits of productivity increases. The Amer reps for their part stated that all appropriate aid and assistance wld be rendered by the Mutual Security Agency to the French productivity program, including the financing of dol costs of experts and the provision of other services from the US from a special technical assistance dol fund outside the regular econ assistance allocation, and agreed to release 12.5 billion francs in the first six months of the calendar year 1952 from accruals of counterpart during the same period to finance the expenditure programs contained in the French list referred to above, which list has been accepted by the Amer reps.

Offshore procurement.

The French side stated that the French govt had set up a central coordinating point for matters pertaining to the offshore purchase program. The Amer side for its part welcomed this action by the French govt and indicated that it intends to keep the appropriate French officials as fully and promptly informed as possible regarding present and future plans of the US govt for offshore procurement, including items, quantities, etc, and to consult with the French govt regarding capacity data, names and locations of individual firms with which orders might be placed, etc. Both the French and US sides agreed that close and frequent contact between reps of the two govts wld be most useful in coordinating US offshore procurement in France with the French govt's own def production program, and in considering any overall econ problems, that may arise in the course of the offshore purchase program including questions of raw materials, machinery and equipment, etc. It is understood that the procurement officers of the US armed services, who will actually place offshore procurement contracts, will usually place these directly with French firms in the event such procedure proves most effective.

Counterpart.

The French and US sides agreed that, in addition to the use of counterpart in connection with the productivity prog as set out above, the distribution among categories of expenditure of counterpart accruing in the first six months of the calendar year 1952 from appropriations for the US fiscal year 1952 and previous appropriations wld be discussed at a later date, probably in Jan 1952. The US side indicated that, subj to mutual agrmt on the uses of counterpart, it was prepared to agree to the utilization during the calendar year 1952 of all counterpart accruing in that year from appropriations for the US fiscal year 1952 and prior appropriations.

Econ and fin policies.

The Amer side took note of the statement prepared by the French side indicating the lines of the econ and financial policies that the French govt intends to pursue, in order to restrain inflation and maintain internal stability, and to provide a firm econ

foundation for the French def effort. The Amer side welcomed this statement by the French govt.

Tax negotiations.

The Amer side explained in gen terms the tax discussions which the two govts have agreed shld be begun in Jan 1952. The Amer side explained the reasons why it is highly desirable to bring these discussions to a satisfactory conclusion as rapidly as possible. The French side expressed their desire to arrive at such a conclusion without delay.

Amendment of ECA and MDAP bilateral agrmts.

The Amer and French sides took note of the discussions that have been begun, looking toward amendment of the ECA and MDAP bilaterals. Each side agreed that it was desirable to conclude these discussions and arrive at a mutually satisfactory text as soon as may be possible. The Amer side explained that the Mutual Security Act of 1951 requires that unless the bilaterals are appropriately amended by Jan 8, 1952, extension of assistance under the act to France is to be suspended. *End text.*

LABOUISSE

ICELAND

RELATIONS OF THE UNITED STATES WITH ICELAND; CONCLUSION OF THE DEFENSE AGREEMENT OF MAY 1951 [1]

No. 205

740.5/1-1751: Telegram

The Minister in Iceland (Lawson) to the Secretary of State

SECRET REYKJAVIK, January 17, 1951—5 p. m.

123. Depcirtel 313. [2] In view unique position Iceland among NAT countries, no military forces, her role being primarily contribution highly valuable strategic location, supply defensive base NATO forces and cooperation established such base and policy government to delay and discourage press agitation people about Iceland's participation in defense program until more specific demands on country evident, believe useful evaluation public attitude should await developments and especially Eisenhower visit. [3]

Meantime attitude government reveals it fully aware critical world situation, Icelandic responsibilities and need for defense Iceland as part integrated program. Feel it will cooperate and make strong effort develop public support at proper time. Attitude public believed more favorable now than any time but there remains strong opposition element in Communist Party and unknown number fervent Nationalists. Feel many latter group and some of Communist Party can be won over if dangers and need defensive program presented convincing effective way. There some evidence apathy and feeling US heavy play of fear of war and preparation necessity being over done. But Korea, defense activities other NATO countries, coming press activity, and Eisenhower's visit should reawaken consciousness need action and focus attention specific danger undefended Iceland.

LAWSON

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[1] For previous documentation on this subject, see *Foreign Relations*, 1950, vol. III, pp. 1457 ff.

[2] Circular telegram 313 asked for an evaluation of the current attitudes in various Atlantic Pact countries on a number of different matters. (740.5/12-2650)

[3] For documentation on General Eisenhower's trip to various NATO capitals in January 1951, see vol. III, Part 1, pp. 392 ff.

No. 206

740.5/1-2151

Memorandum of Conversation, by Kenneth A. Byrns of the Office of British Commonwealth and Northern European Affairs [1]

TOP SECRET [WASHINGTON,] January 20, 1951.

Subject: Defense of Iceland: Point-by-point discussion of Iceland's reply to the Standing Group.

Participants: The Honorable Edward B. Lawson, American Minister to Iceland
BNA—Mr. Raynor
BNA—Mr. Hulley
BNA—Mr. Byrns
Mr. William Mitchell, Special Assistant to the Secretary of the Air Force
Mr. John A. Johnson, Assoc. General Counsel, Air Force
Major Weber, Air Force
Lt. Colonel Lennkoff, JAG Department Army
Commander Smith, JAG Department Navy
Lt. Colonel William Fondren, Army
Captain S.B. Dingwell, Navy
Captain Marvin P. Evenson, JCS–NATO

At the meeting of January 20, each point of the Icelandic memorandum to the Standing Group (SGM–37–51) [2] was considered separately. The lettered paragraphs below follow those of the memorandum:

a. The Icelandic Government states that it is necessary that negotiations concerning the defense of Iceland in accordance with SGM–626–50 [3] *and NAOR 32 CC/50* [4] *be conducted at the same time.*

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[1] This was the second of two meetings between Departments of State and Defense personnel. At the first meeting on January 19, Lawson informed the group that the Icelandic Government was opposed to a piecemeal agreement and wanted to know all the principal demands to be made on Iceland. The Army, Navy, and Air Force listed their requirements in Iceland, and an agreement was reached to meet again on the following day, January 20. (Memorandum of conversation, (740B.5/1-1951)

[2] This paper was a memorandum from the Standing Group, January 15, concerning security provisions and defense measures for Iceland. It included the reply of the Icelandic Government, January 11, 1950, to previous memoranda of the Standing Group. The Icelandic reply was the same as the italicized portions of this memorandum of January 20. A copy of SGM–37–51 is in the NATO Sub-Registry.

[3] This Standing Group Memorandum of December 29, 1950, set forth a plan for defense measures for Iceland. A copy is enclosed in SGM–45–51, January 17, in the NATO Sub-Registry.

[4] This was the document in which the North Atlantic Ocean Regional Planning Group in November 1950 invited the Governments of the United States and Iceland

Continued

State and Defense were in agreement that this should be done.

b. Iceland desires the right unilaterally to terminate the Agreement upon "reasonable notice".

Minister Lawson said this was a most difficult point and that the US could not permit Icelanders unilaterally to terminate the agreement just as they saw fit. Defense suggested that we should attempt to get the Icelanders to agree to permit the bilateral to run for the full period of the North Atlantic Treaty, Mr. Byrns mentioned the difficulties experienced in the Keflavik negotiations of 1946, [5] when the US desired to get a long-term agreement, but had to be satisfied with 6 ½ years. State was of the opinion that a period of 20, or even 10 years would be most difficult to get.

It was agreed that the US must first ask for an agreement to run for the full period of NATO, and, if this approach failed, continue to negotiate to obtain as long a period as possible. As the US would have to expend large sums for defense facilities in Iceland, a short-term agreement, or one which Iceland could unilaterally terminate at will, was not a feasible proposition. The US Congress wanted to be certain that the US was getting something for its money.

It was also suggested that the agreement might run for the life of NATO, subject to earlier termination by agreement of the two parties or when agreed to by some designated NATO organ.

c. (1) Iceland desires to have the right to name the nationality of the forces stationed in Iceland.

Minister Lawson said that he did not believe there would be much difficulty over this point.

. . . . . .

Defense believed that technicians coming to Iceland temporarily should be admitted regardless of nationality.

Defense suggested that a clause might be inserted in the agreement to the effect that the bases would be kept open to other nationalities than the one primarily responsible for the defense of Iceland. If Iceland would not agree to this clause, the words "with the prior approval of Iceland" might be added to it.

Defense said that there was an impression in a previous meeting with State that the Icelanders might object to the presence of colored troops in the US contingents. Mr. Hulley and Mr. Byrns recalled that there were a few Negro soldiers in Iceland during the last war and the Icelandic Government had requested that they be

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to reach agreement concerning the fulfillment of certain military operating requirements in Iceland. A copy has not been found in Department of State files, but information on the document is in a letter from the Secretary of Defense to the Secretary of State, February 17, 1952. (711.56340B/2-1752)

[5] Information on the Keflavik negotiations of 1946 is in *Foreign Relations*, 1946, vol. v, p. 824.

removed, and this was done. Defense pointed out that it was not possible to determine, by an examination of a unit's records, what races were assigned to it. It was very possible that a unit arriving in Iceland would have Filipinos, Chinese, or Negro soldiers in its ranks.

(2) Iceland wants its nationals to receive training.

It could not be determined from the wording in the Icelandic memorandum whether the Icelanders meant training or actual enlistment in NATO forces. (At present the US does not permit the enlistment of aliens in its armed forces although there is a likelihood that legislation will be approved so that aliens can enter the services, as was the case during World War II.) If training were meant, a program could be set up under MDAP.

Captain Dingwell stated at this point that he understood that MDAP should not be tied in with NATO. According to Captain Dingwell, the Secretaries of State and Defense had exchanged letters agreeing that there would be no *quid pro quo* maneuvers connected with treaties negotiated within the NAT framework. (A search of RA files has not yet located the letters.)

Minister Lawson said that it was very necessary that the Icelanders should not be excluded. For them to seek training would show their willingness to co-operate in the defense of Iceland. Iceland expects NATO to pay the soldiers' salaries and all other expenses.

Mr. Byrns pointed out that the Icelanders might be thinking of eventually taking over the defense of Iceland, using their own forces. With their sights fixed on the figure of 2,700 mentioned to them by the Standing Group, the Icelanders might become optimistic, hoping to raise that many troops within several years as this only represented three per cent of the population. . . .

d. Iceland believes NATO should take special security measures for the protection of the civil population, such as building air raid shelters and roads for evacuation of cities.

In the discussion on this point, Captain Dingwell said this was a matter for some other agency than Defense, as protecting the civil population is of no value to the military services. Mr. Lawson said that the need for security measures was a consequence of military operations. Mr. Hulley stated that we might offer to assist the Icelanders in planning, but not actually construct shelters and roads.

Representatives from Defense said that they understood that MDAP funds could not be used for buildings, runways, assembly lines, and the like.

Mr. Raynor said that State would undertake to determine what could be done with MDAP and ECA funds to provide for civil defense and the stockpiling of consumer goods.

It was agreed that, in drawing up the draft agreements, no mention would be made of this point, but that a "stand-by" paragraph, using general terms, would be prepared for later insertion if the Icelanders were insistent upon it.

e. Iceland desires the right to determine the location of forces.

It was agreed that some general reference to this point could be included in the agreement (such as Article 1 of the long form), but the US would try to avoid mention of specific locations. It was the opinion of both State and Defense that the negotiations should be directed toward obtaining an "open end" agreement that would permit later defense arrangements to be made.

Defense brought up the question of the re-capture of World War II facilities now in the hands of the Icelanders, mentioning the Hvalfjordur tank farm and satellite airfields. No decision was made on this matter.

f. Iceland would like to know US intentions in regard to the 1946 Keflavik Agreement.

State and Defense agreed that the Keflavik Airport Agreement of 1946 should be terminated. Pertinent provisions of that Agreement could be included in the one now being negotiated. [6]

g. In this paragraph Iceland brought up the question of jurisdiction over troops, hiring of labor, and black-marketing.

The question of jurisdiction over troops was passed over inasmuch as agreement had been reached on this point during the discussions of January 19. Minister Lawson stated that the US should give Iceland general assurances that we would curb blackmarketing. The wording in paragraph 4 of Defense's short form draft and Article 13 of the long form were considered applicable to the matter.

h. Iceland desires to know who is to furnish the funds for the defense expenditures.

NATO (i.e., the US) will have to pay the bills. Defense suggested that Iceland should state its willingness to pay "within its capabilities". For one thing, this would be an assurance to Congress that Iceland was willing to do its part.

i. Iceland wants the negotiations to be held in Iceland.

It was agreed that the negotiations would be held in Iceland, and although no definite date could be set, it was the consensus of opinion that the negotiations should start in early February, thus taking advantage of the interest in improving defense which it is

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[6] Article VI of the Basic Agreement of May 5, 1951, stated that the Agreement of 1946 would terminate when the new Agreement came into force. The final Agreement is printed in Department of State *Bulletin*, May 21, 1951, p. 812, or 2 UST (pt. 1), p. 1195.

hoped General Eisenhower's visit on January 25 will engender. Minister Lawson is to determine, upon his return to Reykjavik, when the Icelanders will be ready to commence the talks.

In the general discussion that followed, it was agreed that no decision could be made at this time as to the form the agreement would take. The form would have to be decided upon after Minister Lawson has had the opportunity to talk with the Foreign Minister to determine if Althing approval is required and to ascertain what publicity the Icelandic Government felt that it had to give to the agreement. Minister Lawson is to cable this information to State.

No. 207

740.5/2-751: Instruction

The Secretary of State to the Legation in Iceland

TOP SECRET [WASHINGTON,] February 7, 1951.
No. 27

SIR: There is enclosed a copy of a letter from General Burns of the Department of Defense dated February 6, 1951 [1] transmitting a draft [2] to be used as the basis of negotiations with the Icelandic Government with a view to concluding a bilateral agreement between the United States and Iceland, implementing the military operating requirements contained in the NAOR Short and Revised Medium-Term Defense Plans. You are instructed to conduct these negotiations in which you will have the assistance of a military team and from time to time of a Department officer. When a text has been agreed to, you will submit it to the Department for instructions as to signature.

A copy of the enclosure may be given to the Foreign Minister of Iceland as soon as you consider it advisable. You should explain orally to the Foreign Minister that an additional annex on "Civil Air Operations" is being prepared and will be transmitted to him as soon as possible.

Very truly yours, For the Secretary of State:
JAMES C. H. BONBRIGHT

[1] Burns enclosed in his letter a draft of an agreement "which embodies the views of the Department of Defense as to the scope and substance which such an agreement should contain," and informed the Department of State that Defense was prepared to send a military team to Iceland to assist in the discussions. (740B.5/2-651)

[2] Department of Defense draft dated February 2. Article IV stated that the agreement was to remain in effect for the duration of the North Atlantic Treaty unless the two Governments modified or terminated it by mutual consent. No mention was made of the number of foreign troops to be stationed in Iceland or which Government had the right to determine the number of troops. A copy of the February 2 draft is in Department of Defense files.

No. 208

740B.5/2-1251

Memorandum of Conversation, by the Minister in Iceland (Lawson) [1]

TOP SECRET REYKJAVIK, February 12, 1951.

At my request I called on the Minister for Foreign Affairs [2] this afternoon at 4 o'clock. I called to present to him a copy of the draft of February 2, 1951, [3] of the "Agreement Between the Governments of the Republic of Iceland and the United States of America."

I started the conversation by telling him of the substance of instructions received from the Department (No. 27, February 7, 1951). [4] I made it clear that the Draft Agreement had been drawn up by the Department of Defense and represented the views of that Department as to the scope and substance which a defense agreement between the two countries should contain. I also emphasized that this was a working document with which we would start and was subject to alteration by suggestions from the Government of Iceland as well as from our side. I stated that it in no way represented a complete draft as additional items might be introduced from both sides in the future and, in fact, an additional annex on "Civil Air Operations" was now in preparation and would be transmitted to him as soon as possible.

I also introduced the subject of security in the Foreign Office and suggested that every possible precaution be taken to protect this document as well as additional information and documents which might be developed in the future. He said that their security conditions were not "too good" but they would be careful with the documents involved.

The Foreign Minister then glanced hastily over the draft. On completing the first page of the basic draft agreement, he referred immediately to Paragraph 4 which states that "the agreement will

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[1] A copy was transmitted in despatch 343 from Reykjavik, February 12. (740B.5/2-1251)

[2] Bjarni Benediktsson.

[3] Not printed, but see footnote 2, *supra*.

[4] *Supra*.

remain in effect for the duration of the North Atlantic Treaty." He said that he was absolutely confident that that article would not be acceptable to the Icelandic Government. I countered by saying that I doubted that the Icelandic viewpoint of its unilateral right to abrogate this agreement would be acceptable to us, although I could make no definite statement on that point. However, I was just as firm in my confidence that a satisfactory agreement on the duration of this agreement, perhaps lying somewhere between the two points of view, could be worked out to our mutual satisfaction. He still seemed to be doubtful on that point, but said he would consider this problem which was basically the most important, and we would discuss it at a later date. He added that he thought we would get nowhere unless it was realized that Iceland, in offering herself as a defense area, would be accepting many things on the basis of faith and confidence in the United States. Therefore, the United States should have confidence enough in the Icelandic Government to feel that it would not request the withdrawal of defense troops and an abrogation of the agreement so long as there was any need for a defense program here. I was quick to assure him there was not the slightest lack of confidence in the present Government of Iceland, and that I did not believe that this particular article stemmed in any way from lack of confidence in the Icelandic Government—he could be sure of that. I commented that the fact that the present Government so recognized the need for defense facilities and armed forces as to be willing to engage in these negotiations showed clearly that it would not be disposed to have the resulting defenses removed so long as the world situation required them in Iceland.

I assured him that we were in complete agreement on the one point, that is, that defense troops should not remain in Iceland when need for a defense program no longer existed. Neither he wanted it nor did we want it. I expressed the hope that he would be able to suggest an article which we could discuss and develop with provisions which would meet the requirements of both countries.

He said that equally basic in character was the necessity for Iceland to know in more specific terms what it must do in connection with the program, i.e., the full extent of its commitments—just what the military authorities would require and what they were going to do with the facilities and areas required. Of course, this is already stated in general terms in the draft and in some instances in rather specific terms. He seemed to be thinking in terms of information he must have in order to present the subject of Iceland's specific commitments when he had discussed this with his Government and with the Althing. I recognized his needs but explained

that it was impossible to anticipate every condition—but some additional information and some ideas of the objectives and intent of the program might be obtained. I informed him that I would be pleased to obtain as much information as possible for him if he would list his desires. Also, the military team which was arriving tomorrow would be available at all times to give their expert advice to me and would discuss this subject with him or with any other persons he might designate. This was, in fact, one of the reasons the military team had been dispatched to Iceland.

The Foreign Minister spoke in a most discouraged tone of the possibilities of working out an agreement on the basis of the initial draft. He repeated several times, "This will be most difficult." I explained to him again that this was merely a working paper—a starting point—a statement of the military's conception of the substance of an agreement under which they would operate—and that there would be every opportunity for discussion and consideration of every problem from the viewpoint of the Icelandic Government. I repeated my confidence in our ability to develop an agreement which would be satisfactory to the Icelandic Government and would, at the same time, afford the conditions necessary for the United States to establish an effective defense program. As I left, I again suggested that he not view this matter with so much pessimism, as I was confident our ideas could be effectively coordinated so that a workable agreement would evolve. He agreed to give this matter some attention and was hoping that we might have discussions as early as Thursday, February 15,[5] which was the target date set some days ago.

I left having the feeling that the brief, broad and far reaching views of the military, as set forth in the draft, was something of a shock to him as he considered his difficult position of influencing his Cabinet colleagues, the opposition Social-Democratic Party leaders and the Althing to accept them or anything approaching them in character. I also felt that, although the initial reaction of the Foreign Minister was very pessimistic, definite purposes had been served by presenting the draft agreement to him at this time. It promoted immediate serious thinking and time has been saved in obtaining consideration of the principal views of the military. I also had the feeling that considerable effort must be made to keep these discussions on an informal basis for the moment, as to permit them to become formalized before any substantial agreement in ap-

[5] Lawson and Benediktsson met again on February 15, together with other members of the Icelandic Government and Byrns of the Department of State. The Minister transmitted a memorandum of that conversation in despatch 369, from Reykjavik, February 27. (740B.5/2-2751)

proach to the subject has been reached would be very unfortunate. The theme of absolute confidence in our ability to arrive at an effective and satisfactory agreement must be advanced constantly.

No. 209

740B.5/2-2351

Memorandum by the Legation in Iceland to the Icelandic Foreign Ministry [1]

TOP SECRET REYKJAVIK, February 17, 1951.

SECURITY FORCE FOR DEFENSE OF ICELAND

1. The mission of the security force for Iceland consists of two basic responsibilities, namely: a) to protect the principal airfields, communications center and port and petroleum facilities in the Reykjavik and Keflavik areas, insuring the continuity of all military and essential civilian activities and protecting the seat of government; and, b) to prepare facilities which would immediately be required for military purposes in the event of hostilities.

2. The minimum forces needed for these purposes consist of:

a. An aircraft control and warning system for detection of approach of hostile aircraft;
b. A land-based patrol squadron for reconnaissance, detection and defense against hostile submarines and surface vessels (e.g. armed trawlers);
c. An air defense squadron (fighter aircraft) for defense against hostile aircraft;
d. A ground defense force (infantry combat team, augmented), to protect the airfield, communications, port and petroleum facilities;
e. An air base group, augmented, to operate the airport, provide services for the security force and contribute to the defense of the airport;
f. An air rescue flight, to provide rescue service in support of military air forces based in Iceland and to transient military and commercial aircraft;
g. A small headquarters unit.

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[1] Lawson transmitted this memorandum as an enclosure to despatch 365, from Reykjavik, February 23. He also enclosed a memorandum of the conversation between Byrns and Hans Andersen, Legal Adviser of the Foreign Office, when Byrns delivered the memorandum to the Foreign Office on February 17. (740B.5/2-2351)

A copy of this memorandum dated February 16 had a handwritten note at the top which said "This is the first draft as prepared by the military adviser." Differences between the two copies are indicated in footnotes at the appropriate places.

The memorandum was prepared in response to the Foreign Minister's request for additional details regarding the number of troops to be stationed in Iceland and the size and location of the areas they would require.

3. It is recognized that these forces do not meet ideal requirements for the defense of Iceland. Their composition has been determined on the basis of (a) the desirability of causing minimum interference with the economy and civilian life of Iceland, in accordance with the desire of the Icelandic Government; (b) the need for meeting at least minimum requirements for defense in the light of the present world situation; and (c) present limited availability of personnel and equipment for the reasonably near future. Some augmentation of forces may be found necessary and possible during peacetime to meet defense needs or provide for the support of forces which would be immediately required in the event of hostilities, for example, anti-aircraft and weather reconnaissance units. This augmentation for defensive purposes which might include two anti-aircraft battalions, two weather reconnaissance flights, an additional all-weather fighter squadron and appropriate increase in supporting forces, would perhaps double the strength of the security force described in paragraph 2. Except for dispersed locations for anti-aircraft in the Reykjavik and Keflavik areas, practically all of the additional forces would be based in the Keflavik Airport area. No assurance can be given that these additional forces will be available in the near future. It is not intended to station any forces with offensive capabilities in Iceland during peacetime. [2]

4. The total strength of the security force described in paragraph 2 is estimated at about 3900 military personnel. All of these will be stationed in the Keflavik area except the following:

a. Aircraft control and warning personnel (perhaps 10–15% of the total force) who will be stationed at the several warning stations.

b. Detachments of the ground defense forces necessary to protect communications, port and petroleum facilities (perhaps 10–15% of the total force). These detachments probably would be stationed in the Reykjavik area, some perhaps in the Hvalfjordur area.

c. The headquarters unit (25 to 50 men) might also be stationed in the Reykjavik area if it were found desirable, in the mutual interests of the Icelandic Government and the security force, that headquarters be maintained near the seat of government to facilitate liaison.

5. It should be emphasized that the foregoing strength figures make no allowance for the possibility that qualified Icelandic nationals might undertake some of the defense responsibilities, thus reducing the number of United States troops and personnel required for certain defense purposes. [3] Although such participation

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[2] The last section of this paragraph, beginning with the sentence "This augmentation for defensive purposes . . ." was added to the final draft.

[3] The phrase "thus reducing the number of United States troops and personnel required for certain defense purposes" was added to the final draft.

(particularly in patrolling Reykjavik and Hvalfjordur areas) would be welcomed by the United States, the intentions of the Icelandic Government in this respect are not known.

6. In addition, there will be required initially a survey mission to determine the location of facilities such as air warning stations and subsequently civilian contractors' construction crews to construct necessary facilities. These crews will be based in the Keflavik area.

7. The exact site and area requirements for the security force can be determined only after the above-mentioned survey and in consultation with the Icelandic Government. Pending a survey, the following general indications can be given:

a. *Keflavik Area.* It is understood that the government-owned Keflavik Airport area comprises 30 square miles including the airfields formerly designated as Meeks Field and Patterson Field and adjacent facilities such as Camp Geck. Subject to checking the exact size and location of this airport area, it is assumed that this area, with certain outside facilities now being used in connection with airport operations (such as the radio antennae farms and beacons), will be sufficient for the forces based in the Keflavik area. [4]

b. *Reykjavik area.* Space to station and house the force protecting port and communications facilities. This area, perhaps 10–15 acres, should preferably be outside the city in order to avoid unnecessary interference with civilian life. These forces would need access to port and communications areas.

In addition, space for headquarters may possibly be needed. (See paragraph 4–c, above.)

c. *Hvalfjordur area.* If it is found necessary to station troops to protect the petroleum tank farm, a small adjacent area (perhaps 5 acres) may be needed to house them.

d. Other areas required for the security force described in paragraph 2:

(1) At least three locations (perhaps 5 acres each) for air control and warning stations and supporting personnel. These locations will probably include one in the northwestern, one in the eastern, and one in the southern part of Iceland. The locations should not be too near any thickly-settled area.

(2) Area for training exercises. This should be remote from towns and in a non-agricultural section. It would probably not be in continual use. It would not be necessary to station troops regularly in this area. The approximate size of the area required is estimated at 6 x 10 miles.

8. The United States recognizes that the small population of Iceland cannot easily adjust to a large influx, and that, having been unarmed for centuries, the people are unfamiliar with military customs and operations. These facts may give rise to problems in rec-

[4] The form of this paragraph was different in the first draft, but the substance was similar.

onciling the need for adequate defense of the country with the objective of avoiding undue interference with the life of the people. The United States proposes to cooperate to the fullest degree with the Icelandic Government in avoiding and solving such problems. It has no desire or intention of interfering with or disturbing the economic and cultural life of the country. Iceland's sovereignty and Government will be fully respected. Every effort will be made to carry out operations insofar as practicable in consultation with the Icelandic authorities and in such a manner as to cause minimum disturbance with the customs and activities of the people. The security force will be instructed accordingly. [5]

[5] This complete paragraph was an addition to the final draft.

No. 210

740B.5/2-2151: Telegram

The Minister in Iceland (Lawson) to the Secretary of State

TOP SECRET REYKJAVIK, February 21, 1951—2 p.m.

144. Discussions February 20 [1] centered on memorandum to Foreign Minister February 17 [2] giving details troop and area requirements as computed by military advisors who believe initial force of 3900 requires with possible build-up to approximately 7800 by D-day. Foreign Minister says some members his government suspicious repeated increases our troop estimates and although government might accept 1200 or even 3900 any increase to 7800 [3] would have to be again considered by all members his government. I have reassured him this bare minimum and increased figures result more thorough studies aimed at best defense for Iceland. I believe his objections will be overcome. Military advisors willing proceed

[1] Lawson transmitted a detailed memorandum of his conversation with the Foreign Minister on February 20 in despatch 378, from Reykjavik March 2. (740B.5/3-251)

[2] *Supra.*

[3] The actual figure 7,800 does not appear in material in Department of State files. But in paragraph 3c of the memorandum of February 17, *supra*, the section added in the final draft mentions that "augmentation . . . would perhaps double the strength of the security force."

The memorandum of conversation enclosed in despatch 378 quoted the Foreign Minister as saying that the memorandum of February 17 went further than Icelanders had expected. He said he had been informed in Washington in September that 1,200 troops would be enough, in January the figure had risen to 2,600–3,300, by February 17 the figure was 3,900, and under certain circumstances the United States would like to double that figure.

with 3900 [4] figure with understanding increases called for by NATO plans may be negotiated without reference to Althing and I am continuing negotiations this basis.

No possibility Iceland will accept agreement for duration NAT and probably not for shorter period such as five years. I am suggesting as proposal for discussion that either government may terminate agreement after consultation period of six months plus a notification period of one year. This proposal made with understanding if Iceland unilaterally terminates agreement US retains title, and may dispose of within reasonable time as it sees fit, all movable and immovable property which it has provided. If agreement runs for length of NAT or if US unilaterally terminates agreement, immovables become Iceland's property without compensation to US.

Foreign Minister indicates Iceland does not desire Icelanders initially compose part of forces or receive training, but desires agreement to leave this open in event they wish participate later. Foreign Minister gave impression government would accept stationing of small security forces at Reykjavik. He also states first contingent troops should be a sizable one in order impress public adequate defense measures being taken.

LAWSON

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[4] In a memorandum sent to the Minister on February 19, Byrns quoted Lieutenant Colonel Fondren as saying that the memorandum of February 17 covered all the peacetime requirements envisaged for Iceland. (711.56340B/2-1951)

No. 211

740B.5/2-2751: Telegram

The Minister in Iceland (Lawson) to the Secretary of State [1]

TOP SECRET REYKJAVIK, February 27, 1951—6 p.m.

150. For Assistant to Secretary of Air Mitchell from negotiating team. Refer Lawson messages, letters [*telegrams*] 144 [2] and 146, [3] February 21, and 23 and Deptel 134, February 26 [4].

Encouraging progress made meeting Foreign Minister 26th [5]. Believe only major problems remaining are duration and payment for claims, possibly civil air also. Regarding duration Foreign Minister emphasizes that assurance given Iceland by US before signing NAT that no forces would be stationed here in peace time presents problem re Althing reaction even though people recognize situation has since changed. Believes acceptance impossible for full NATO term without unilateral termination right. Considers that termination right would not be exercised unless Communist controlled government in power which not in prospect and which would present entirely new picture. Preliminary NATO consultation means that Iceland must propose termination to NATO defense committee six months before giving termination notice. This proposed by Foreign Minister who believes that if, as appears probable, NATO defense committee unanimously recommended against termination, exercise of right would be extremely difficult for Iceland. Team recognizes question presents policy problem involving other negotiations which team cannot judge. If that problem were not presented team would recommend acceptance Lawson proposal as modified by Foreign Minister proposal for NATO reference. Team feels that if US

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[1] Relayed to the Chief of Staff of the Army, Chief of Staff of the Air Force, Commander of the Military Air Transport Service, Chief of Naval Operations, and Commander in Chief, Atlantic, for information.

[2] *Supra.*

[3] Lawson reported in this telegram that the Foreign Minister insisted that Iceland had the right to authorize any increases over 3,900 men and "refused point-blank consider duration agreement for duration NAT". (740B.5/2-2351) In answer, telegram 140 to Reykjavik, March 2, instructed Lawson to "make every effort obtain acceptance text sense Deptel 134." (740B.5/3-151)

[4] Telegram 134 transmitted the following wording to be used as the basis for discussion: "This agreement shall remain in force until the NAT Council shall determine that the requirement for the facilities and their utilization or any part thereof no longer exists. Either party shall have the right to request a review by the Council of this requirement in the light of NAT defense plans." (740B.5/2-2351)

[5] Lawson transmitted a memorandum of his conversation with the Foreign Minister on February 26 as an enclosure to despatch 386 from Reykjavik, March 5. In it he quoted the Foreign Minister as saying that "if the United States says that this increased figure (7,800 troops) is now absolutely necessary, Iceland will probably accept, as it does not want to be a weak link in the chain of defense." (740B.5/3-551)

is prepared to accept any duration less than NAT term Lawson proposal as so modified is preferable to specific shorter period such as four years. Keflavik experience indicates specific termination date might invite political pressure against renewal. Lawson concurs. Team agrees with Lawson view that suggestion Deptel 134 unacceptable to Iceland. Report on claims provision may be expected promptly.

LAWSON

No. 212

740B.5/3-451: Telegram

The Minister in Iceland (Lawson) to the Secretary of State

TOP SECRET REYKJAVIK, March 4, 1951—2 p.m.

160. For Mitchell from negotiating team. Reference Deptel 141, March 2. [1] Proposed text on number military personnel. Clause to be included in basic agreement reads "The number of military personnel to be stationed in Iceland pursuant to this agreement in the absence of hostilities involving the North Atlantic region shall be subject to the approval of the Icelandic Government." Supplementary technical schedule provision reads "The United States, on behalf of the North Atlantic Treaty Organization, has proposed to station up to approximately 3900 personnel in Iceland pursuant to the agreement of blank date. Iceland has approved this figure. The United States military authorities have stated that such a force is not considered a complete security force for Iceland, its composition having been determined in the light of Iceland's basic defense needs, the prospective availability of equipment and personnel, and the special problems presented by Iceland's small population and non-military tradition. Improved availabilities, changes in the strategic situation or the need to provide additional supporting services for forces that would be required in the event of hostilities may lead to proposals by the North Atlantic Treaty Organization or its representative to augment the security force from time to time, even in the absence of hostilities. Iceland has advised the United States that it has taken note of these statements and that any such proposals will be given serious consideration, taking into account the responsibilities of the North Atlantic Treaty Organization and

[1] Telegram 141 notified Lawson that the Department of State "wld accept requirement of prior consultation with Ice before exceeding 3900 total, but cld not, without further consideration here, accept provision whereby Ice given right to disapprove absolutely any needed increases." (740G.5/2-2751)

its members. Iceland has further informed the United States that it recognizes that during hostilities involving the North Atlantic region the number of military personnel to be stationed in Iceland is a matter to be determined by the North Atlantic Treaty Organization military authorities."

Following background should be considered: US assurance given Iceland prior signing NAT that no troops would be stationed here in peacetime and Althing announcement to same effect made with US approval seriously complicate government's position and in their opinion require basic agreement clause quoted above. Increase of figures previously given Iceland of 200, 1200, 2700, very difficult for FonMin to explain to other parties, particularly in view language of Standing Group answer to Iceland. Team's instructions were if necessary to agree to technical schedule providing 3900 total personnel with strength figure as to each unit plus contractors' crews. Proposed texts are better in following respects: (1) Total figure is overall, units and unit strengths not given, affording flexibility; (2) Total relates only to military personnel, giving further leeway; (3) Word "station" clearly understood as meaning transient personnel not included; (4) Clear provision that no ceiling exists during hostilities; (5) Iceland on record as having been advised of future increases, including need for additional forces to support troops required on hostilities. This places Iceland in position in which resistance very difficult, as FonMin recognizes. We all feel quoted provisions will in practice permit desired increases.

For three weeks I have pressed provisions along lines first choice urtel but Iceland unwilling accept mere notification or consultation.

LAWSON

No. 213

740B.5/3-451 Telegram

The Minister in Iceland (Lawson) to the Secretary of State

SECRET REYKJAVIK, March 4, 1951—9 p.m.

165. Inform Mitchell Defense. Reference Deptel 140, March 2 [1] and Legtel 158, March 3. [2] In long talk with FonMin this after-

[1] See footnote 3, Document 211.

[2] Telegram 158 replied to telegram 140. Lawson said he would "make every effort obtain acceptance but foresee bitter reaction," and requested immediate authority to return to Washington for consultation if developments required it. (740B.5/3-251)

noon [3] I made every effort obtain acceptance text sense Deptel 134 [4] in accordance reftel. He refused expressing in definite and unmistakable terms his conviction neither government nor Althing nor people would accept agreement in which there no provision unilateral termination by Iceland. He reiterated often stated reasons and conditions supporting Iceland's demands, all which appear Legtels and Legdes to Department re negotiations. Stated several times he certain could not obtain acceptance Althing but equally sure government would not present it to Althing.

He said, "even I, who has long recognized the need for the defense of Iceland and the value of such defense to NATO and have worked so hard for the program here, would not recommend such an agreement to my government. Of course, I am not speaking for the government which I shall consult at once but these are my personal views." He then added, "I would rather Iceland be exposed to the dangers of an undefended island than agree to a peace time occupation of forces for duration of NAT."

Promised inform me of government's reaction late Monday. In response my suggestion, he agreed continue consideration of text draft and few unresolved points for present pending settlement duration principle which however fundamental to entire agreement.

LAWSON

[3] Lawson transmitted a memorandum of his conversation with the Foreign Minister on March 4 as an enclosure to despatch 388 from Reykjavik, March 6. (740B.5/3-651)

[4] See footnote 4, Document 211.

No. 214

711.56340B/3-851

Memorandum of Conversation, by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor)

TOP SECRET [WASHINGTON,] March 8, 1951.

Subject: Iceland Base Negotiations

Participants: Minister Thor Thors, Legation of Iceland
Mr. Petur Eggerz, Counselor, Legation of Iceland
Mr. Hayden Raynor, Director, BNA
Mr. Edward Lawson, U.S. Minister to Iceland

Minister Thors called today at his request. He first inquired as to the status of the negotiations and Minister Lawson [1] and I indicated that good progress was being made. We pointed out to him the areas in which agreement had not yet been reached: (a) certain aspects on civil aviation; (b) certain problems on claims; [2] (c) the number of troops and (d) most important the duration clause. [3]

Minister Thors then put forward in very strong terms the Icelandic position on the duration clause and the impossibility of Iceland giving up unilateral right to terminate an agreement. He repeated the various arguments which had been used by the Foreign Minister in the negotiations and repeatedly stressed the assurances which had been given to Iceland before she joined the Pact to the effect that she would not be called upon to receive troops in Iceland in peace-time. He also repeatedly stressed the concept that we would have to have faith in Iceland.

Minister Lawson and I indicated that we did have faith in Iceland but explained in some detail the difficulties this situation created for us stressing the problem from the angle of precedent in negotiations with other countries and the angle of Congressional reaction here.

In conclusion the Minister implied that if we wanted an agreement we would have to find a way to meet Iceland on this point. We indicated that we were trying to find a formula which would resolve the difficulty of both sides. The Minister expressed the desire to have another meeting with us [4] before Minister Lawson returns to Reykjavik.

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[1] Lawson left Reykjavik on March 6 for Washington and returned to Iceland on March 24.

[2] For final resolution on the problems relating to civil aviation and claims, see Document 220.

[3] For final resolution of the problems relating to the number of troops to be stationed in Iceland and the duration of the Agreement, see footnote 1, Document 216.

[4] No record of another meeting has been found in Department of State files.

No. 215

ECA message files, FRC 53A278, Paris Telegram

The Administrator for Economic Cooperation (Foster) to the ECA Mission in Iceland [1]

CONFIDENTIAL WASHINGTON, March 17, 1951—3 p.m.

Ecato 32. 1. Minister Thors called this morning. He claimed economic situation in Iceland approaching crisis and would like action as soon as possible on following 2 points:

a) Release of additional direct aid in amounts between $2.2 and $3.8 million,

b) Establishment of further special EPU aid to extent of $3 million. [2]

2. We explained our impression next step up to IceGov particularly in respect to: a) submission of general program of necessary non-dollar imports and b) expression of gov intention in respect to establishment of some central control over economic situation.

3. Please note in connection with submission program of necessary imports that we do not believe precise detailed list necessary but merely general indication types of goods and magnitude of increased imports.

4. Thors said IceGov thought that action up to us since gov explained it could not submit detailed list of imports. We did not tell him as explained in preceding para that this was not necessary but you should make this clear to IceGov.

5. Thors also said govt believing we had requested impounding or other control of savings account had not answered since it could not agree. Please make it clear we have not made such request but merely expect at this time indication of firm intention to establish adequate centralization of responsibility for economic aspects these programs with implementation to follow.

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[1] Drafted by Woodbridge; authorized by Hopkinson; and cleared by Hannay, Porter, and Bissell.

[2] Telegrams Ecato 1, January 2; Ecato 8, January 15; and Ecato 12, January 23; all to Reykjavik, gave details of previous Icelandic requests for additional aid in fiscal year 1951. (ECA message files, FRC 53A278, Paris)

6. As soon as you inform us you have satisfactory answers to 2a and b [3] we are ready to move on 1a and b. [4] Note "special EPU assistance" equivalent to additional initial position.

7. The above has been discussed with Minister Lawson.

FOSTER

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[3] Telegram Toeca 42 from Reykjavik, March 27, recommended "direct allotment $1.2 million now without awaiting settlement amount non-dollar aid."

Telegram Toeca 43 from Reykjavik, March 28, reported that the Icelandic Government recognized the need for more frequent reports on the economic situation and the "Min Com agreed obtain more frequent current info and estab informal centralized control." (Both in ECA message files, FRC 53A278, Paris)

[4] Telegram Ecato 52 to Reykjavik, April 13, reported an additional direct aid allotment of $2.2 million to Iceland. In Ecato 62 to Reykjavik, May 2, the ECA Mission was notified that "$3 mill special assistance to finance Iceland's EPU deficits will be allotted Thursday May 3." (ECA message files, FRC 53A278, Paris)

No. 216

711.56340B/4-651: Telegram

The Minister in Iceland (Lawson) to the Secretary of State

TOP SECRET REYKJAVIK, April 6, 1951—2 p.m.

187. Inform Mitchell, Defense. Barrett departing today carrying draft agreement as of April 5 [1] which leaves no important and few points any kind unresolved. FonMin discussing draft with Cabinet and non-Communist party leaders over weekend hoping for final approval not later April 10. He informed me today [2] his present intention is to present to Althing [3] and thus make public the short

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[1] Article [illegible] read that the number of troops "shall be subject to the approval of the Icelandic Government." The identical wording was used in Article IV of the final Agreement.

Article VII gave either government permission to terminate the agreement if, 6 months after a requested review by the NAT Council, they could not reach a mutual understanding. In the event of hostilities, however, the Icelandic facilities would be available for military purposes. Article VII in the final treaty was the same. (740.5/4-551)

[2] Lawson transmitted a memorandum of his conversation with the Foreign Minister on April 6 to the Department as an enclosure to despatch 439 from Reykjavik, April 10. (740B.5/4-1051)

[3] In telegram 204 from Reykjavik, April 17, Lawson reported: "Foreign Minister informs me he seeking means avoid submittal agreement to Althing. His advisors feel Althing approval Iceland signing NAT sufficient authority sign this agreement. He still studying matter but now submitting draft to leading members three parties in addition to Cabinet to assure full support". (740B.5/4-1751)

A memorandum of conversation between members of the Departments of State and Defense on May 15, reported that the Foreign Minister did not submit the Agreement to the Althing. Lawson informed the group that the members of the Althing were individually polled and the non-Communist members unanimously supported the Agreement. (740B.5/5-1551)

basic Defense agreement of eight articles. Also believes he will make public annex III [4] but not necessarily at same time. Mentioned possibility, but not now contemplated, of publishing at some remote date selected information from Annex IV [5] as special agreement. Should be noted this preliminary thinking, but he desires keep published material to minimum. Will inform us of final decision at later date.

LAWSON

[4] Annex III concerned the "Status of United States Personnel and Property." A copy of the draft agreement was attached to the draft treaty of April 5.

[5] Annex IV covered "Civil Air Operations," and a copy of the draft was also attached to the draft treaty of April 5.

No. 217

840B.062/4-1851: Telegram

The Minister in Iceland (Lawson) to the Secretary of State

TOP SECRET PRIORITY REYKJAVIK, April 18, 1951—6 p.m.

210. Inform Mitchell Defense. [1] Fon Min has just informed me of govt's great concern possibility Commie directed strike set for May 18 which he says cld easily take on character of general strike. Said govt as well as social dems taken by surprise but will do everything possible prevent serious widespread strikes.

He very fearful US troops will arrive here near that date which he thinks wld be embarrassing us as well as Ice Govt, especially if there port difficulties re off-loading our equipment, supplies etc. He suggests date not later than May 3. Can we meet that date having troops, as well as survey party alerted to meet that date when confirmed? I recommend we make every effort.

Fon Min confident agreement will be signed in plenty of time to permit such programing.

Pls comment soonest.

LAWSON

[1] The message was relayed to the Department of Defense on April 19 at 1 a.m

No. 218

840B.062/4-1851: Telegram

The Secretary of State to the Legation in Iceland [1]

TOP SECRET PRIORITY WASHINGTON, April 20, 1951—8 p.m.

201. In order reply Legtel 210 Apr 18 [2] we need your and FonMin further views re:

1. Possibility that arrival of troops before May 18 might precipitate strike earlier than scheduled.
2. Feeling of Govt, labor, and public which wld indicate any possibility avoiding strike and if not, its seriousness, possible duration, difficulties in way of settlement.
3. Possibility signing agreement as soon possible, and then keeping it secret for period long enough permit later entry of troops, say June. Wld this jeopardize Agreement if Govt thinks Althing action necessary?

Destroyers *Brownson* and *Meredith* scheduled visit Reykjavik Apr 28–May 1. If troops not available wld lay-over or somewhat later arrival these ships be useful and permit announcement agreement? Both above queries exploratory only as no firm assurance can yet be given that destroyers cld delay their schedule, and no decision yet made that this course advisable.

Assume FonMin desires coincident arrival troops and announcement agreement order to avoid public disturbances. Has he any other reasons? Has he considered propaganda value to Soviet of arrival coincident with announcement, giving appearance whole procedure rigged by two Govts fearing Ice public reaction.

ACHESON

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[1] Byrns (BNA) drafted and initialed for the Secretary.

[2] *Supra.*

No. 219

711.56340B/4-2251: Telegram

The Minister in Iceland (Lawson) to the Secretary of State

TOP SECRET PRIORITY REYKJAVIK, April 22, 1951—5 p.m.

215. Inform Mitchell Defense. ReDeptel 201, April 20. [1] Fol are FonMin views which I feel reasonable:

1. Arrival troops believed unlikely precipitate strikes earlier May 18 which end of legally required 30 days notice termination contracts.

2. Govt will make every effort prevent strikes and hopes divide non-Commie from Commie labor by offering Social Democrat labor some concessions. There seems even chance Govt will succeed with non-Commie unions and obtain weight Federation of Labor unions against widespread strikes. But there little belief Commie dominated unions will desist unless it appears politicaliy detrimental CP.

This not fundamentally workers strike program. Situation dominated by elements polit speculation and influences, therefore labor's attitude, even if determinable at this time wld not be accurately indicative workers feelings. But fact they willing place power strike in hands Commie labor leaders shows seriousness both Commie and non-Commie workers.

Not possible assess public feeling this time but there reason believe it will not be against strikers in early days strikes as govt is shouldering blame for high cost living.

If strikes start they will spread and situation will be serious. Expected be long rather than short duration.

Presence of troops may well be influence for good among non-Commie workers who realize loss through strikes of benefits normally expected in form remunerative work from such troops.

3. Not possible sign agreement and keep secret, whether Althing action necessary or not, nor wld it be practicable or desirable. In any event June too late as Soviet fishing fleet usually arrives middle May which long been considered latest troop arrival date but now coincides with strike date. Arrival troops Keflavik early May, say three-seven (ReLegtel 214, April 20) [2] seems best program this time.

4. Destroyers no substitute. Presence troops in Iceland as part actually operating defense program essential to anticipated psychological and political as well as security-wise benefits.

5. Coincidental arrival troops to avoid public disturbances only one of several reasons. Term "security force" used in previous messages used chiefly in sense of security against outside forces, possible sabotage and against some possible public disturbance but not primarily against latter. The principal reasons were to justify to public by visual evidence of troops that govt's defense program is

[1] *Supra.*

[2] In telegram 214, Lawson reported that the Foreign Minister was very anxious for U.S. troops to arrive in Iceland by May 3. (740B.5/4-2051)

essential; that world conditions depended such action; that this is a serious tangible program with troops actually in Iceland to meet possible Soviet aggressive action, which in absence any Iceland military is absolutely necessary; that a *fait accompli* wld discourage opposition, rob the Commies of substantial effectiveness in organized opposition, and wld stimulate public acceptance of agreement and the public belief it necessary, thus giving more support to govt's action than wld be the case if no troops were here at time.

6. Consideration has been given propaganda value to Soviets in pointing up two govts fear Iceland public reaction. But, this far outweighed, it believes, by values stated above. Regardless date arrival troops Commies may be expected exploit every angle govt's deliberate policy keep negots secret and govt's implied fear public reaction, although govt's whole procedure designed prevent Commie active dramatic organized effort arouse public opposition unfairly and create illegal public disturbances. We must contemplate constant Commie use strikes, propaganda and all means embarrass govt and hinder defense operations but once troops are here such actions will be more difficult and command less support.

FonMin told me there wld be Cabinet meeting 23rd to determine whether Althing action necessary; alternatively whether legally required refer agreement to Althing committee (upon which Commie member sits) immediately before signing; and consider latest date in early May troops should start arriving. [3]

I thought it necessary assure FonMin views requested Deptel 201 not be construed as opposition his plans but rather our desire be certain he given appropriate consideration such important factors. Although he did not say so I believe he will inform Cabinet tomorrow of the points raised and his replies.

LAWSON

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[3] Telegram 204 to Reykjavik, April 24, informed Lawson the Department of State had recommended to the Department of Defense that it try to have the initial troop unit arrive at Keflavik by the Foreign Minister's target date and gave him permission to pass the information on to the Icelandic Government. (711.56340B/4-2251)

Telegram 227 to Reykjavik, May 1, told Lawson the Department of Defense estimated that if they received notice to move by May 2 or 3 the troops could arrive within 24 to 36 hours. (740B.5/5-151) In telegram 232 from Reykjavik, May 2, Lawson replied that the Foreign Minister had assured him he would sign the agreement on May 5 and he wanted the troops to arrive on May 7. (740B.5/ 5-251) That information was relayed to General Burns of the Department of Defense in a letter from Deputy Under Secretary of State Matthews on May 3. (740B.5/5-251)

In telegram 239 from Reykjavik, May 5, Lawson informed the Department of State that Iceland had ratified the agreement, and in telegram 242 from Reykjavik, May 7, he reported that the U.S. troops had arrived at Keflavik on May 7. (740B.5/ 5-251)

No. 220

Editorial Note

Edward Lawson for the United States and Bjarni Benediktsson for Iceland signed the Defense Agreement pursuant to the North Atlantic Treaty between the United States of America and the Republic of Iceland at noon on May 5. The treaty is printed in 2 UST (part 1), page 1195, and in Department of State *Bulletin*, May 21, 1951, page 812.

Article IV of the final treaty gave Iceland the right to approve the number of troops stationed there. Article VI gave either Government the right to terminate the agreement during time of peace after certain conditions had been met.

On May 8 Lawson and Benediktsson signed a number of annexes to the Agreement of May 5. For the Annex on the Status of United States Personnel and Property, see 2 UST (part 2), page 1533.

The published treaty and annex, as well as a General Annex; Annex on Administration: Annex on Civil Air Operations; five technical schedules; a memorandum of conversation of May 4, 1951, recording the oral understandings on implementation of the Agreement; three Legation notes dated May 7; and the three Icelandic replies to them, were all transmitted as enclosures to despatch 486 from Reykjavik, May 9. (740B.5/5-951)

Civil aviation and the question of privileges and immunities were two questions that required a good deal of discussion before final settlement, although both countries considered them less important than the question of the duration of the treaty.

A memorandum from Raynor to Perkins, March 19, listed the main considerations with regard to the use of Keflavik Airport by military and civil aviation in the event of unilateral termination of the Agreement by Iceland. Even if it terminated the agreement, Iceland would still be a member of NATO, and for that reason it was anticipated that it would not object to the use of Keflavik by United States military aircraft. (711.56340B/3-1951)

In a conversation regarding implementation of the Agreement, Lawson stated that Iceland should understand that the United States had the right to assume control of the airport to the extent that military needs required, even though Iceland had control of civil aviation. (Memorandum of conversation, enclosed in despatch 473 from Reykjavik, May 4, 740B.5/5-451)

In a conversation between members of the Departments of State and Defense in Washington on May 15, Lawson said it was necessary for the United States to realize that Iceland had the responsibility for civil aviation, although the military would be able to take

over whenever military necessity warranted. (Memorandum of conversation, 740B.5/5-1551)

A copy of the Annex on Civil Air Operations is enclosed in despatch 486 from Reykjavik, May 9. (740B.5/4-951)

In telegram 161 from Reykjavik, March 4, Lawson advised the Department of State that when the matter of privileges and immunities arose, Iceland's primary concern was payment for claims. (740.5/3-451)

In airgram A-84 to Reykjavik, March 16, the Department of State informed the negotiators in Iceland that it wanted Iceland to waive claims for government-owned property in agreed areas. It also wanted the Icelandic Government to participate in liability for private claims on a percentage basis, preferably 75 percent for the United States and 25 percent for Iceland, although it would accept any participation by Iceland of 15 percent or more. (740B.5/3-451)

Telegram 179 from Reykjavik, April 1, contained a copy of the claims provisions being discussed by the negotiators and telegram 176 to Reykjavik, April 7, gave revisions and comments of the Department of State. (740B.5/4-151)

For the Annex on the Status of United States Personnel and Property, see 2 UST (part 2), page 1533.

No. 221

Editorial Note

Despatch 491 from Reykjavik, May 11, reported a total of 46 Icelandic unions were prepared to strike soon after May 18. A committee representing employers, unions, and the Government had been appointed to try to work out a solution, either by lowering taxes or raising wages. The despatch quoted the Speaker of the Lower House of the Althing, who told an officer of the Legation that increased ECA aid might make possible a reduction of taxes and eliminate the need for a wage increase.

Despatch 500 from Reykjavik, May 18, notified the Department of State that the strike began at 1 minute after midnight on May 18. Telegram 258 from Reykjavik, May 22, reported the strike had ended and the workers had gone back to work in Reykjavik and most other communities.

Despatch 504 from Reykjavik, May 25, gave an account of the agreement for a wage increase beginning on June 1 that had ended the strike on May 22. It quoted a Social Democratic member of the Althing who told an officer of the Legation that the Government authorized the wage increase only because it feared the possibility

of serious strikes just after the arrival of American troops, partly because of the international effect and partly because idle men might cause unpleasant incidents. These despatches are in file 840B.062.

No. 222

740B.022/6-2151: Despatch

The Minister in Iceland (Lawson) to the Secretary of State

CONFIDENTIAL REYKJAVIK, June 21, 1951.

No. 557

Ref:

Legation Despatch 151, April 28, 1950

Dept. Instruction No. 13, May 22, 1950 [1]

Subject: Presentation of U.S. note to Iceland regarding extension of territorial waters

After reviewing the present situation, it is recommended that no action be taken with regard to the presentation of a note to the Icelandic Government protesting its extension of its territorial waters. [2] This opinion is based on the assumption that the presentation of such a note at this time would be politically inadvisable for several reasons.

In the first place, the elapsed time between the signing of the United States-Icelandic Defense Agreement has been too short to justify another test of Icelandic temper. Furthermore, the numerous initial problems arising in connection with the implementation of that Agreement have not created an atmosphere which is favorable to the presentation of the note which would raise considerable ill feeling. The public attitude toward the presence of United States troops is in the process of formation, and it is hoped that without any disturbing influence it will be one of acceptance rather than animosity. In this connection, it should be noted that the agree-

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[1] Neither printed.

[2] In April 1950 the Icelandic Government publicly announced new regulations prohibiting foreign vessels from fishing inside an area 4 nautical miles from the northern coast of Iceland. The only countries excepted were those whose treaty rights with Iceland allowed them to operate under the existing 3-mile limit.

Instruction 13 to Reykjavik, May 22, 1950, directed the U.S. Minister in Iceland to formally protest the new Icelandic regulations. (740B.022/5-2250) In telegram 85 and despatch 205 from Reykjavik, June 1, 1950, the U.S. Minister informed the Department of State that he had delivered the American protest but had then suspended it temporarily at the request of the Icelandic Foreign Minister. The Department of State agreed to a delay in the delivery of the note. (740B.022/5-2350 and 740B.022/6-150)

ment to receive foreign troops during peacetime represents a very definite departure from the past policy of the Icelandic Government and an entirely new experience for the Icelandic public.

It has also been noted that there is a very strong and growing feeling among the powerful fishing interests in Iceland that there should be no delay in declaring the new extended territorial waters limit effective insofar as British trawlers are concerned. This powerful group is exerting considerable pressure on the Government to take action at the earliest possible moment to prohibit those vessels from operating within the new limits.

Furthermore, the Foreign Minister informed me today that there is a possibility that, despite this heavy pressure, Iceland may postpone its formal declaration of the new territorial limits as they affect the British. This declaration normally would take place on or before October 3, 1951. [3] He is in favor of such a delay and has so stated in the Althing. He feels that the formal declaration should not precede the publication of the Hague Court's decision on the U.K.-Norway case, but he is not sure of the support of his colleagues. It seems logical that in view of the present status of the Foreign Minister's thinking and the possible decision of the government to postpone the declaration no distracting action should be taken by us at this time. The timing would seem to be particularly unfavorable in view of the fact that the next meeting of the Althing is scheduled for early October which coincides with the normal declaration date. And the Foreign Minister has pointed out that, despite his government's intention of postponement, the Althing may order the declaration. It would seem, therefore, that should we present our note prior to October 3, the reaction of the Althing might well be that of insisting on the declaration without delay.

Therefore, it would appear that tactically it would be bad from our viewpoint and politically it would be unwise. We seem to stand to lose more than we stand to gain if we take action prior to the Hague Court decision.

The subject of the U.K. position has been discussed informally with the British Minister who informed me that he had sent a note

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[3] October 3 was the date on which Iceland's notice of termination of the Anglo-Danish Fisheries Convention of 1901 was to take effect. Until that date the British had the privilege, by treaty, of fishing to the 3-mile limit. The British hoped Iceland would refrain from applying the new fishing regulations to them until the International Court of Justice at The Hague ruled on a British challenge to the right of Norway to establish a 4-mile limit for fishing around its coast.

Despatch 176, from London, July 11, 1950, contains a copy of the instructions the Foreign Office sent to the British Minister in Iceland on the subject of the Icelandic regulations. The British Minister in Iceland had delivered a formal protest to the Icelandic Government in July 1950. Correspondence and memoranda of conversations between the British and U.S. officials are in file 740B.022.

to the Foreign Office last month expressing the hope that the Icelandic Government would refrain from imposing its new regulations and that nothing be done until the conclusion of the present proceedings at the Hague. The British Minister informed me that he expected from the Foreign Minister no reply to that note. He referred to the fact that the British Fisheries Patrol ship was due to arrive in Iceland early in October, but he was hopeful that there would be no "incidents" between October 3 and the Hague Court decision's date. He emphasized the fact that the British fishing interests were very powerful and were bringing strong pressure on his government. There is enclosed a copy of the British Legation's note to the Icelandic Foreign Office on the above subject dated May 23, 1951. [4] I did not reveal to the British Minister that I was inquiring in connection with possible presentation of our note to the Icelandic Government. [5]

EDWARD B. LAWSON

[4] The British note expressed the hope that the new regulations would not be applied to the British before British and Icelandic officials had discussed the matter in the light of the judgment of The Hague Court. The Judgment was not expected to be handed down until January 1952 at the earliest. (740B.022/5-2351)

[5] Airgram A-9 to Reykjavik, August 2, instructed the U.S. Legation to deliver the note at that time, if it had no objection. On August 15 the U.S. Minister delivered the note of protest but again withdrew it at the request of Iceland and recommended further delay. (740B.022/8-251)

No. 223

NAC files, lot 60D137

Memorandum by the National Advisory Council Staff Committee to the National Advisory Council

CONFIDENTIAL [WASHINGTON,] October 26, 1951.

Subject: Proposed International Bank Loan to Iceland

The Problem

The IBRD is considering a loan to the Government of Iceland of the equivalent of about $1,008,000 in European currencies. The U.S. Executive Director of the Board of IBRD has requested the advice of the NAC concerning this proposal.

Nature of the Proposed Loan

1. The Government of Iceland has requested this loan from IBRD to finance agricultural development in Iceland. A plan has been drawn up aiming at increasing agricultural production, particularly that of animal products. Cement, steel, timber and other build-

ing materials and grass seed and fencing must be imported to fulfill some of the requirements of the project, and the loan will be disbursed to pay for these materials. The equivalents in Kronur will be paid into a special fund to be set up by the Agricultural Bank and used for loans to farmers to further the project.

2. About two-thirds of the loan will be spent in sterling and part of the proceeds of the Bank's sterling bond issue will be used for this purpose. The remainder will be spent in other European currencies, and the member governments concerned will be asked to approve the use of their 18 percent capital subscription to the Bank for this purpose. To the extent that they do not do so, the Bank will use the proceeds of the Bank's sterling bond issue.

3. The terms of the loan will call for repayment over a period of 18 years, the first semi-annual payment falling due December 1, 1956. The rate of interest will be 4½ percent, and there will be a commitment charge of ¾ of 1 percent.

International Economic Position

A. Foreign Assets and Liabilities

No detailed picture of Iceland's foreign exchange position can be presented with any degree of confidence, but the approximate position can be examined. At the end of July 1951, Iceland's overall foreign exchange holdings were apparently about $7.2 million. This was an increase of about one-half million dollars over the July 1950 figure. Of these exchange holdings, European currencies accounted for $3.3 million, dollar currencies were $1.9 million and other currencies amounted to $2 million. In addition to this, Iceland has about $1 million in gold which it held against the currency in circulation and has not varied over the last decade.

B. Balance of Payments and Foreign Aid

Iceland was able to draw on reserves accumulated during World War II to meet balance of payments deficits in the first postwar years. ECA assistance programs, together with sterling and Danish loans, have met most of the payments gaps since 1948. The country has been allotted a total of $17.8 million in ECA assistance through fiscal year 1951. Of this, some $10 million was in direct grants, $4.3 million was in loans, and $3.5 million in the form of conditional grants. The availability of these foreign exchange resources has permitted Iceland to import more than before the war and thus to maintain a large investment program and a standard of living far above prewar levels.

A large percentage of Iceland's trade is with Western Europe. Fuel, textiles and capital equipment constitute the bulk of the country's imports. Fish and fish products comprise about 95 percent of exports. The fish catches vary greatly from year to year and

consequently the country's foreign exchange position is subject to rather wide swings. The overall deficit has varied from $37 million in 1947 to $7.2 million in 1948, $15.4 million in 1949, and $6.2 million in 1950.

C. Exchange Rates

During the war the krona was maintained at a rate of 6.5 to the dollar. When other sterling area currencies were devalued in September 1949, the Icelandic government devalued the krona by 30.5 percent, keeping the krona's relation to sterling unchanged and establishing a dollar rate of 9.365 to the dollar. In March 1950 there was a further devaluation, this time by 42.6 percent, bringing the dollar rate to 16.32, and bringing the sterling rate to 34.676 kronur to the pound.

Subsidies to the fishing industries were discontinued following this second devaluation and while some measures were taken to counteract inflation, the rise of domestic prices was not completely halted. In order to avoid reintroduction of the direct subsidy system, a foreign exchange and import certificate system was established in February 1951.

International Economic Situation

A. Public Debt

Total public debt of the Icelandic Government was 345 million kronur ($21.1 million) at the end of 1950. Of this about 138 million ($8.5 million) was held externally. Besides ECA loans of $4.3 million, there were debts to the United Kingdom and Denmark, and an IBRD loan of about $2.4 million was granted in June 1951.

B. Iceland Budget

In 1950, for the first time since the end of the war, Iceland managed to balance its budget. An ordinary surplus of Kr. 34.1 million almost completely offset a deficit of Kr. 34.3 million on capital account. However, an adjustment for items which have no financial impact and for funds used for debt retirement results in a surplus of approximately Kr. 9 million.

In the first half of 1951, Iceland ran a surplus on current account of Kr. 3[illegible] million. Much of this surplus was accompanied by a balance of payments deficit, as import duties constitute a major source of Government revenue. A capital account deficit of Kr. 22 million offset much of the current surplus, as both expenditures and receipts on capital account far exceeded the levels scheduled for the entire year.

C. Monetary Situation

The total money supply has increased steadily since the end of the war, and rose 16 percent between December 1950 and August 1951. Note issue rose 12 percent between the end of 1948 and the

end of 1950 but has not increased during 1951. Bank demand deposits have risen 37 percent during the first eight months of 1951 while bank loans rose by 28 percent.

D. Investment Program

Since the war the fishing industry has been reoutfitted with new trawlers and ships; fish processing equipment has been installed; housing, commercial and public building construction has proceeded at a rapid rate; communication and transportation systems have been modernized; and hydroelectric power plants and a nitrogenous fertilizer plant are being constructed.

During the five years ending 1950, gross investment totaled more than $300 million—an average of $60 million per year. Although national income statistics for Iceland are not very reliable, it has been estimated that investment has been at the high average rate of 35 percent of GNP, varying from 40 percent of GNP in 1947 to 25 percent in 1950. Relatively, this is one of the heaviest investment programs undertaken by any Western nation.

E. Price and Wage Levels

There is no over-all cost of living index for Iceland. An index compiled for the city of Reykjavik indicates that in the sixteen months for which this index is available, through August 1951, there has been an increase in the cost of living of 44 percent.

Economic Prospects for the Future and Ability to Repay

Import volume, especially the volume of capital goods imports, has varied with the amount of foreign exchange available. Foreign exchange receipts depend largely on exports, and exports of Iceland vary greatly from year to year, depending on the fish market and the size of the catch. The wide changes make the Iceland balance of payments quite difficult to forecast. During recent years herring runs in Iceland waters have been below expectations and export receipts, consequently, have been low.

Perhaps as important as the Icelandic supply of fish are the uncertainties of future markets for fish. The development and protection of a domestic fishing fleet in Western Germany will apparently preclude much dependence on future sales there. Prospects in the important United Kingdom market are uncertain. Since the last devaluation, Icelandic frozen fish has been able to compete successfully in the U.S., and if recent experiments in shipping frozen lobster and shrimp to the United States are successful, dollar export prospects will be good.

During the next two or more years, the U.S. and other NATO powers will probably make sizeable military expenditures in Iceland. A substantial share of these payments will be spent for Ice-

landic labor. This can be expected to provide an important source of foreign exchange for Iceland during the next few years.

Increases in Icelandic agricultural production that are expected to result from this loan should bring about savings in dollar imports. Thus, while the loan is in sterling, the hard currency exchange position of Iceland would be improved, thereby strengthening its capacity to service its outstanding dollar debts.

As the present heavy investment program is completed, and the most urgent needs for investment are satisfied, it should be possible for Iceland to reduce substantially the importation of investment goods. Since these investment goods imports have, in the past five years, averaged more than half of the total volume of imports and even in 1950 may have exceeded one-third of total imports, significant reductions in the import levels should be possible. This means that it should be possible for Iceland to balance its current payments at a satisfactory level of imports as long as fish catches and fish markets remain moderately good.

Including the proposed loan from the IBRD, Iceland's obligations to service its total foreign debt would involve a payment of something less than $900,000 per year at the maximum. This level would not be reached until 1957. With service payments at this low level, it seems clear that Iceland should have adequate capacity to service the contemplated loan. If it is assumed that Iceland will adjust its level of imports to the availability of foreign exchange, the servicing of the proposed IBRD loan would probably require an adjustment of less than one percent in the total volume of imports.

The people of Iceland have tended to take their financial obligations seriously. There is no record that the country has ever defaulted on an external debt, and during World War II, Iceland was able to repay all the external obligations which were outstanding at the time. [1]

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[1] The action sheet attached to this memorandum, also dated October 26, stated that the National Advisory Council offered no objection to a loan of about $1,008,000 in European currencies to finance agricultural development in Iceland.

On November 1, the International Bank for Reconstruction and Development authorized the loan of $1,008,000 to Iceland for 22 years at an interest rate of 4½ percent.

IRELAND

EFFORTS BY IRELAND TO OBTAIN MILITARY EQUIPMENT AND ECONOMIC ASSISTANCE FROM THE UNITED STATES OUTSIDE NATO MEMBERSHIP; EFFORTS BY IRELAND TO ENLIST THE SUPPORT OF THE UNITED STATES IN ITS STRUGGLE TO END PARTITION

No. 224

740A.13/3-1251

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Secretary of State [1]

CONFIDENTIAL [WASHINGTON,] March 12, 1951.

The Irish Minister for External Affairs, Mr. Sean MacBride, has an appointment to see you at 12:30 p.m., on Tuesday, March 13. He will be accompanied by the Irish Ambassador, Mr. John J. Hearne, and possibly also by Mr. Sean Nunan, formerly Minister to the United States and now Secretary of the Department of External Affairs. (Biographies are attached. [2])

The ostensible purpose of Mr. MacBride's trip to the United States is to address the Friendly Sons of St. Patrick in Philadelphia on St. Patrick's Day (March 17). No doubt he will also continue the type of anti-partition agitation in which he indulged during his visit to this country in the Spring of 1949. We understand that while in Washington he hopes to see Mr. Foster of ECA and other officials. In addition to the dinners to be given for him by the Irish Ambassador and Ambassador Garrett, he will be the guest of honor at an official luncheon to be presided over by Mr. Webb at Prospect House on March 15.

We have inquired of the Irish Embassy whether Mr. MacBride wishes to raise any substantive questions when calling upon you. The Embassy professes complete ignorance of any such desire on the Minister's part and agrees that it would be correct to assume that as the visit is an unofficial one this appointment will be in the nature of a courtesy call. It is possible, however, that Mr. MacBride may bring up one or two matters, particularly in connection with

[1] Drafted by Ranney of BNA, cleared in draft by Perkins and Bonbright.

[2] None printed.

defense of Ireland, and a brief background paper on these questions is therefore appended.

Recommendation

There are no specific questions which I would recommend that you take up with Mr. MacBride.

[Enclosure]

UNITED STATES RELATIONS WITH IRELAND

The following is submitted for the Secretary's information in case the Irish Minister for External Affairs should raise any questions concerning U.S.-Irish relations during his interview:

Defense Problems

Ireland declined the invitation to join the North Atlantic Treaty, stating that this was impossible so long as partition exists. This refusal was based in part upon the alleged inability of the Irish Government to cooperate with the United Kingdom while "six of the northeastern counties are occupied by British forces" and in part upon the belief that adherence to this treaty would prejudice the Irish case by guaranteeing the territorial integrity of Northern Ireland.

The Irish requested the "assistance and mediation" of the participating States in creating a situation wherein the problem could be discussed. The U.S. replied on behalf of all the participants that the NAT was not a suitable framework within which to discuss a problem solely the concern of the United Kingdom and Ireland, and that the NAT was not intended to provide a new forum for the settlement of longstanding territorial disputes. U.S. has continued to maintain an attitude of readiness to welcome Ireland into the NATO.

Since the failure of the Irish attempt to use participation in the NAT as a bargaining point to end partition, it has been suggested that the U.S. should supply arms to Ireland or enter into bilateral defense arrangements with that country. This matter has been considered by the NSC, [3] which reached the conclusion that such a special arrangement would be in conflict with the concept of the collective defense of the North Atlantic area based upon undertakings of mutual aid, and that it would invite increased pressure for similar bilateral arrangements with other countries which are not

[3] For text of NSC 83/1, "The Position of the United States Regarding Irish Membership in NATO and Military Assistance to Ireland Under a Bilateral Arrangement," October 17, 1950, see *Foreign Relations*, 1950, vol. III, p. 1477.

included in regional defense plans. The way for Ireland to get arms, therefore, would be to participate in the NAT. We are confirmed in this position by the fact that there is no guarantee that Ireland would be prepared to abandon its traditional policy of neutrality in the event of another war, even should we be willing to enter into a special defense relationship with that country.

ECA Aid

Following the allocation of two million dollars to Ireland on February 16, we informed the Irish Government of our desire to enter negotiations looking toward the suspension of direct ECA assistance. We also notified the British Government of this intention, since Ireland normally obtains its dollars through the sterling area pool. There has been little reaction from Dublin thus far, other than word that the Irish will begin at once to discuss arrangements with the British for converting sterling holdings to meet dollar needs. Mr. MacBride expects to see Mr. Foster while in Washington and will presumably discuss this matter with him at that time.

Partition

We have consistently held the view that the partition question is one of primary concern to the British and Irish Governments in which this Government should not interfere.

No. 225

740A.13/3-1351

Memorandum of Conversation, by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor)

SECRET [WASHINGTON,] March 13, 1951.

Subject: Call of Minister for External Affairs, Sean MacBride

Participants: Minister for External Affairs Sean MacBride of Ireland
The Secretary
Mr. Raynor, Director, BNA

Mr. MacBride, Minister for External Affairs of Ireland made a courtesy call on me this morning. He is in the United States on an unofficial visit primarily for the purpose of delivering a St. Patrick's Day address in Philadelphia. After the usual exchange of amenities, the Minister indicated he wanted to discuss a few questions with me.

The Struggle Against Communism. The Minister stated that as he saw this problem the fight was being waged on three fronts: (a)

military and defense; (b) economic; (c) moral basis. He expressed the view that good progress was being made on the first two categories but there had not been much success in laying the appropriate moral base to capture men's minds.

I expressed interest in the latter comment stating that it was one I heard frequently and one to which I had given considerable thought. I encouraged the Minister to spell out what he meant in more detail. He replied that there had been nothing which had captured the imagination of the mind of the common man in Western Europe since Wilson's fourteen points which was still remembered and, in fact, impressed many not born at the time he made them. He said the Atlantic Charter had not had the same effect. He said he had thought of raising this in the Council of Europe but had not done so feeling that it was a matter in which United States initiative was needed.

I referred to the difficulties of drafting a universal declaration. I spoke of the differences in viewpoint in the West and in Asia and differences in Asia between countries.

The Minister said that he thought it was very important to have something to which Asia could subscribe, especially India. He said that as he saw it the problem was to find something in which men could have faith. He said this wasn't a problem in his own country where religion was especially strong but in countries such as France where many believed in very little, it was a serious problem. He said it was especially important when one realized that fanatic believers in Communism regarded Communism practically as a religion.

I repeated that this was a matter which interested me greatly. I said it was something we had worked on a great deal and that Mr. Barrett [*Garrett*?] had given it considerable attention. Also Mr. Benton. I said I felt that what might develop in this field would have to be the product of a few men, that you would never get a satisfactory declaration, for instance, from an international drafting group composed of representatives of a number of countries. I said that I intended to give further consideration to the question and very much valued the views which the Minister had expressed to me.

Partition. The Minister then said he wished to refer to the old question of partition which in his country was an explosive one. He said it not only soured Irish relations with the United Kingdom but raised difficult internal problems. During his presentation he made the claim that the people of three of the northern counties favored uniting with the south. He said he thought this kind of a situation was a bad thing to have in the midst of the Atlantic community. He said he thought there was an increase in the realization of this

point of view even in London but that he did not think that, by itself, the United Kingdom would do anything about it. He expressed the view that if the United States were to encourage the United Kingdom to do something results would flow from such a step.

I said that I had always regarded the problem as one which should be decided by his Government, the United Kingdom and the people of the northern counties. He replied that he realized this was a difficult question for me but he thought it was a shame that there was not some forum in the Atlantic community where a dispute of this nature could be discussed and settled. I readily assented to his statement that this was a very difficult problem for me.

Military Assistance. Mr. MacBride then said he wished to say a few words on the subject of the desirability of some military assistance being provided for Ireland. He said Ireland formerly received a modest supply from the United Kingdom but had received nothing for the past two years. I inquired if he felt this were due to the present shortage situation and he admitted it might be but said he thought the matter had political implications. He said under present conditions Ireland was unable to defend itself and that his people had the will to defend themselves against Communist aggression.

I asked Mr. Raynor if this problem had been considered here. Mr. Raynor stated that it had been reviewed from time to time and then made an observation as to the great demands being made upon this country from many sources for military assistance. I made the observation that in view of the present expansion of military production perhaps the Irish would find it possible again to receive some supplies from the United Kingdom.

No. 226

740A.13/3-2251

Memorandum by the Secretary of State to the President

[WASHINGTON,] March 22, 1951.

Subject: Visit with the Irish Minister for External Affairs

The Irish Minister for External Affairs, Mr. Sean MacBride, has an appointment to see you at 12:15 p.m. on Friday, March 23. I will be present during the interview.

Mr. MacBride has been on an unofficial visit to the United States since March 10. The primary purpose of his trip was to address the Friendly Sons of St. Patrick at Philadelphia on St. Pat-

rick's Day. An official luncheon presided over by Under Secretary Webb was given in honor of Mr. MacBride at Prospect House. [1]

It is anticipated Mr. MacBride's appointment will be in the nature of a courtesy call. In the course of the conversation, however, Mr. MacBride may refer to the Irish partition issue, Irish defense requirements, ECA aid to Ireland, and the civil aviation issue.

It might prove highly embarrassing to our relations with the United Kingdom if announcement were made that the Partition Issue had been discussed. Therefore it is suggested that this subject be avoided if possible, but if it should be introduced it is recommended that you state that this Government is fully cognizant of the problem and its implications. The United States hopes for continued improvement of relations between the United Kingdom and Ireland but cannot intervene in this issue between two friendly Governments.

With reference to Irish defense requirements you may wish to state that this Government continues its readiness to welcome Ireland as a member of the North Atlantic Treaty Organization (as expressed in NSC 83/1). If this is not possible for the Irish Government, the United States will consider Irish requests for purchase of arms in the light of priorities of United States defense requirements and North Atlantic Treaty and other mutual defense commitments.

We have informed the Irish Government of our desire to enter into negotiations looking toward the suspension of direct ECA assistance. The British Government has also been notified of this intention since Ireland obtains its dollars from the sterling dollar pool. In this connection you may wish to remark that you have noted with pleasure the remarkable economic recovery of Ireland and the success of the European Recovery Plan in Ireland. You may also wish to congratulate Mr. MacBride for his part as delegate from Ireland in the Organization of European Economic Cooperation.

You may wish to remind Mr. MacBride that we have been trying unsuccessfully for years to secure permission from the Irish Government to operate an air service between New York and Dublin, and express the hope that the necessary permit will soon be granted.

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[1] Documentation on this luncheon, as well as on MacBride's conversation with White House Assistant W. Averell Harriman on March 22, is in file 740A.13. In his meeting with Harriman, MacBride raised the same general subjects covered in his conversation with President Truman on March 23 (see the memorandum, *infra*), discussed continued U.S. support of the OEEC, and spoke of discussions in recent years between Ireland and Spain on religious matters.

It is suggested that you seek Mr. MacBride's assent of a release to the press along the lines of the attached enclosure.[2] Its primary purpose is to avoid mention of the Partition issue.

DEAN ACHESON

[2] For text, see Department of State *Bulletin*, April 9, 1951, p. 575.

No. 227

740A.13/3-2351

Memorandum of Conversation, by the Secretary of State [1]

SECRET [WASHINGTON,] March 23, 1951.

Participants: The President
The Foreign Minister of Ireland, Mr. Sean MacBride
Secretary Acheson

The President received Mr. MacBride at the latter's request. The Secretary of State was present.

Mr. MacBride opened the interview by saying that in the struggle with Communism he thought there were three major fields—the economic, the military and the moral or spiritual field. He thought that progress had been made in the first two. He did not think that we had as yet been able to state to the people of the free world in simple language what the whole conception of democracy meant. He recalled the great appeal which President Wilson's Fourteen Points had made throughout the world and thought that a statement in this general form and manner was very necessary. He felt that this could only come from the United States and he hoped that the President would address himself to this problem.

The President said that he had been endeavoring for many years to put forward his conceptions of what the democratic ideal and mission in the world was. He understood what the Irish Foreign Minister had in mind, was quite aware that his speeches had not achieved this particular objective and stressed the great difficulty of achieving it. He said that the Secretary of State and he had given much thought to this matter and would continue to do so. I said that I was sure that the President and I knew that I would be very grateful for any specific suggestions that Mr. MacBride could make, pointing out that to make such a statement required very unusual gifts. Mr. MacBride reiterated the importance of such a

[1] Copies were sent to the White House and to George Perkins and Jack McFall.

statement and the President said he would continue to give thought to it.

Partition

Mr. MacBride then turned to the question of partition which he did not mention by name. He explained that Ireland wished very much to join the North Atlantic Treaty Organization. It could not do so because of political difficulties which he was sure the President knew about. Mr. MacBride felt that within the North Atlantic Treaty Organization, it should be possible to devise a forum in which there could be friendly discussion and settlement of the only territorial matter outstanding in that part of the world.

The President replied that all the North Atlantic Treaty nations had expressed their strong desire and hope that Ireland could and would join the Organization. The matter to which Mr. MacBride referred was an issue between two countries with which the United States was equally friendly. He felt that it could not helpfully or profitably intervene in this matter. He recalled that outsiders intervening in family issues always suffered and the issue was rarely settled. Mr. MacBride replied that the United States could not be considered an outsider. The President appreciated this friendly statement but felt that in this matter we must continue to adhere to our present attitude.

Military Assistance for Ireland

Mr. MacBride then mentioned the question of military assistance for Ireland. He said that in the event of Communistic invasion, Ireland would be quite defenseless. It had some years ago obtained a small amount of arms from Great Britain but had been unable to do so for the last two or three years. He hoped that the United States might be of help. The President said that he appreciated the situation and would very much like to be of help. He recalled the very great strain now being placed upon the United States to provide arms both for itself and for the most urgent needs of allies who are more exposed than was Ireland. He would continue to give the matter thought.

This concluded the interview.

No. 228

740A.00(W)/4-751: Telegram

The Air Attaché in Ireland (Lunde) to the Chief of Staff of the Air Force (Vandenberg) [1]

CONFIDENTIAL DUBLIN, 7 April 1951.

Joint Weeka Number 14.

Political:

Ireland and defense. The arrival back in Ireland of Ambassador Garrett on April 2 from visit to US has had the effect of giving an impetus to a general discussion on the position of Ireland in relation to its defense. In this connection departments attention is invited to despatch number 658 dtd 5 April 1951 [2] entitled "Responsible opinion concerning present position of Ireland and defense." It should be emphasized that the feeling that Ireland will be occupied by a western power, which this despatch develops, e.g. the United States, has become fairly general. Mr. MacBride, Minister of External Affairs, informed Ambassador Garrett, Thursday that this feeling is "rampant here."

The Embassy military attaché has pointed out in detail from time to time recently the state of Irish defenses which, in the opinion of observers here, has created a vacuum which will precipitate Atlantic Pact intervention as well as attract "the attention of an adventuresome Russian air staff based in France . . ." (Re: Despatch 658).

There has been no discussion in the Dail on this question as yet, which illustrates the apathy of the Irish to external matters. However, as above noted dispatch points out, the Embassy believes that forces are at work undermining this apathy and the question holds promise of being discussed with increasing vehemence in the future. The possibility that Ireland's neutrality would have a better chance of being respected by either side in a future war may possibly spur the government into some kind of action, but embassy does not foresee any radical change in situation because of smug moral attitude which prevails here.

[Here follows comment on internal economic matters and political questions related to the use of Shannon Airport.]

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[1] Sent also to EUCOM Wiesbaden and to the Military Attachés at London and Paris. Copies were distributed for information to the Departments of State, Army, and Navy; to the CIA; and to the Secretary of Defense.

[2] Not printed. (740A.5/4-551)

No. 229

740A.00/3-751

The Secretary of State to the Chairman of the Senate Committee on Foreign Relations (Connally)

[WASHINGTON,] April 13, 1951.

MY DEAR SENATOR CONNALLY: I refer to your letter of March 7, 1951, [1] with which you transmit to the Department of State for comment Senate Resolution 93 introduced in the Senate on March 6, 1951, "Declaring it to be the sense of the Senate of the United States that the Republic of Ireland should embrace the entire territory of Ireland." Reference is also made to the Department's interim reply of March 8, 1951.[1]

The Department of State has, of course, long been aware of the questions arising from the political status of Northern Ireland and has given the most careful consideration to the bearing of these questions on the relations of the United States with the Republic of Ireland and the United Kingdom, two of this country's closest friends. It is believed that this is not a matter in which the United States could properly or usefully intervene.

There is also a question as to the propriety of recommending a specific means of accomplishing the objective of the resolution.[2] Accordingly the Department does not recommend passage of this resolution.[3]

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report. [4]

Sincerely yours,

For the Secretary of State:
JACK K. MCFALL
Assistant Secretary

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[1] Not printed. (740A.00/3-751)

[2] Reference is to the final words of the resolution which read: "Resolved that it is the sense of the Senate of the United States that the Republic of Ireland should embrace the entire territory of Ireland unless the clear majority of all of the people of Ireland, in a free plebiscite, determine and declare to the contrary." A copy of the resolution is attached to the source text but is not printed.

[3] This resolution was followed by others, including House Joint Resolution 31 and House Resolutions 26, 53, 82, 141, and 172. Copies of these were sent to Acheson in a letter of July 23 from the Chairman of the House Committee on Foreign Affairs. McFall, answering for the Secretary of State on July 31, recommended against passage of these resolutions for the same reasons given in the response of April 13 to the Senate resolution. Department of State correspondence concerning this and subsequent Congressional action is in file 740A.00.

[4] A report on Senate Resolution 93, prepared in the Office of the Assistant Secretary of State for Congressional Relations; not printed.

No. 230

740A.00/6-2851. Despatch

The Chargé in Ireland (Huston) to the Secretary of State

CONFIDENTIAL DUBLIN, June 28, 1951.
No. 852

In consequence of arrangements made by the Irish Department of External Affairs for the newly-elected [1] Prime Minister (Taoiseach) to receive the chiefs of the diplomatic missions in Dublin, I was received by Mr. de Valera on June 25th, at which time he took occasion to defend himself on certain issues concerning which he obviously felt he had been made the object of criticism in the United States. The fact that he retained me for approximately 55 minutes, whereas three of my colleagues who preceded me had averaged about 10 to 12 minutes, seemed to indicate an anxiety on his part to curry sympathetic understanding in American quarters.

The New Government

Mr. de Valera said that the position of his Government was, of course, "not too comfortable" in view of the narrow margin by which it came to power with the help of the five Independents. He felt, however, that his Government could carry on indefinitely with the support of the Independents, as they naturally would not be eager to incur the risk and expense of "going to the country" in a new election. He realized, however, that his Government would not be able to survive in case it came up against a solid opposition on a matter of serious import in which the Independents might have deep-seated convictions contrary to Fianna Fail policies or objectives. He concluded this subject by saying that admittedly his Government was embarking under "not very satisfactory circumstances", but he felt that it might nonetheless have a good, long life.

Policies of New Government

In response to my reference to his statements on foreign policy in his recent press conference (despatch no. 841 of June 25 [2]), Mr. de Valera spoke deprecatingly of the form and content of the press reports of his remarks, saying that they scarcely constituted a satisfactory exposition of the policies of the new Government inasmuch as his remarks had been drawn out bit by bit by scattered and unrelated questions from different members of the press. Although he had no particular extension of these questions to make

[1] Eamon de Valera took office on June 14.
[2] Not printed.

at the moment, he went on, he wished to mention one point, namely, that it need not be considered that there must necessarily be a gap in the defense of the Western World as a result of the Irish position. He was aware that the view was held in many quarters that Ireland's unpreparedness for defense—he did not mention the North Atlantic Pact—constituted a serious weakness in the defenses of the democratic world. This need not be, he said; the Irish are good fighters, as they have shown, and they can maintain their own defenses if only they can be given arms. I remarked that, as he probably knew, present American production of arms was taken up by the immediate needs of the United States and its commitments to those countries which have joined together in a common effort to build an effective defense of the free world.

Charges of Dictatorship

"I know that many people say that I am a dictator or that my Government will be a dictatorship", Mr. de Valera went on, "but I am not a dictator—not at all—far from it. You yourself saw my election by democratic processes in the Dail the other day, and you will find that our elections are fairly conducted and that we are in every way a democratic state." By several additional remarks he indicated that he had been a little amused but also rather seriously nettled by charges of dictatorial tendencies on his part, although in his own mind his positive and perhaps authoritarian proclivities were a result of his long affiliation with and determined leadership of the Irish struggle for independence.

Irish Attitude During World War II

Mr. de Valera then referred feelingly to the accusations that he and his Government had been hostile to the United States and the other allies, or indeed pro-German, during World War II; he knew that he had been criticized for harboring German and Japanese spies and diplomatic representatives and for otherwise being lenient or tolerant with the enemies of the democratic world. "But Ireland is not, and I am not, either Fascist or Nazi. We are a democratic people and state. It is wrong to think that we were in any way hostile to your country or to the Allied cause. We were neutral, it is true, but we did not favor or assist the Axis." He continued by saying that the German Minister had been allowed to continue here and that there were also three Japanese, but every one of them had been carefully watched every moment of the day and night and consequently it was utterly impossible for them to do any harm. It was because the German Minister had been so correct and unoffending, he said, that he decided that he would pay a call upon him at the time Hitler's death became known. He had been much criticized for this, he knew, and he had realized before he did

it that criticism would be strong, but the German Minister had behaved himself so properly that "I was damned if I was going to treat him any differently from other representatives on whom I had called in similar circumstances (referring to Mr. Roosevelt's death), especially as Hitler was dead and there was no possibility of my reinforcing an already lost cause."

The Prime Minister took occasion in the course of these remarks to refer especially to the United States representative in Ireland during the war, who, he said, had been emphatically and consistently hostile to Ireland. He did not know why this man had been so hostile, so unfriendly; he wondered if it had not been for some personal reasons, but he was afraid that it had reflected a certain amount of animosity toward Ireland which existed during that period in the Department of State (see despatch no. 837 dated 21 June [3] giving President O'Kelly's remarks on this same subject). In any case, he concluded, this and other factors had sometimes made Ireland's relations with the United States difficult.

Partition

As I was taking leave, Mr. de Valera said he would like to mention to me confidentially a thing which was not generally known. Whereas the official attitude of the United States Government with respect to Partition had always been that it could not intervene, actually at one time—I believe he said in 1939—Mr. Roosevelt had secretly done so. Although outwardly maintaining the official United States' position, he said, Mr. Roosevelt had at one point tried to assist by letting the British know that he hoped they would do something to bring about a solution to this problem.

Mr. de Valera seemed and claimed to be in good health. His great difficulty, he said, was in reading; he could see things at a distance fairly well, but he was greatly handicapped in reading and often did not even recognize people near to him.

CLOYCE K. HUSTON

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[3] Not printed.

No. 231

740A.5/8-3151 Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

SECRET

PARIS, August 31, 1951—7 p.m.

1377. From MacArthur. [2] Irish FonMin Aiken (who was Def Min prior to World War II) asked to see me yesterday. He said on basis previous acquaintance he wished to raise informally with me question to which he and his govt attach great importance, namely possibility of purchasing certain modern arms and mil equipment from US. He said new Irish Govt feels strongly it must build up Irish def capabilities. It wishes not only to increase size of its standing forces but also their effectiveness. Receipt of limited amounts US equipment on purchase basis wld not only increase morale of armed forces and thus help recruiting campaign but wld also stimulate public support for increased effort and sacrifices which are necessary to build greater defensive strength. He said certain elements in Ireland wld oppose an increased effort because of sacrifices required and that procurement of Amer equipment wld be very helpful in neutralizing such opposition.

I said to Aiken his request seemed to raise issues both of policy and supply. Policy issues aside, mil equipment sitn in US very tight at this time. Not only did we have to meet heavy commitments in FE but also we had time phased commitments to our NAT allies. I assumed most equipment in which he was interested was longlead items or those in short supply. I was sure he wld agree our NAT allies with whom we were joined in great collective effort for def of Western civilization must have priority. I mentioned that Ireland had chance to join NAT but had refused because of its feelings vis-à-vis UK over Northern Ireland. These differences were not my business but in my personal opinion surest way to insure that Irish requests recd sympathetic consideration wld be for Ireland to indicate its determination to contribute in some positive way to collective defense of West.

Aiken replied tradition of neutrality strongly ingrained in Ireland and in his personal opinion there was no possibility this time of its joining NAT or other collective defense arrangements. Furthermore feelings in Ireland over partition soil ran very deep and his country wld not enter into any treaty agreement with UK until satisfactory solution had been found. On other hand Ireland wld

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[1] Repeated for information to Dublin and London.

[2] Douglas MacArthur II, Adviser on International Affairs to General Eisenhower at SHAPE.

resist communism more strongly than most Eur countries and therefore any assistance which was given it in strengthening its defensive posture wld contribute indirectly but positively to overall defense of WE. If we cld help on equipment he believed conf mil staff talks wld be possible which wld enable NATO planners to have knowledge of Ireland's defense plans so that there cld be proper mil coordination shld aggression against Ireland occur. He added it wld be tragic for both US and UK if for example USSR shld attack and overrun WE to have Ireland a defensive vacuum into which Sov cld move. He said he realized full well US cld not meet all demands for equipment but he felt if we wld permit Ireland to purchase very limited amounts of equipment for training purposes it wld enable them to get ahead with modernization their forces and also wld permit them to assimilate further quantities of matériel which they wld be able to purchase at some future time when Amer production program had moved into high gear. (He mentioned specifically modern aircraft and heavy infantry weapons of anti-tank nature.) Said he realized we might not be able to furnish equipment immed but hoped we wld be able to give Irish approx date for planning purposes.

I told Aiken I was familiar with informal approaches this subj which had been made to Amb Garrett about a year ago, and inquired whether Irish Govt intended take this question up with US Govt officially thru diplomatic channels. He replied in affirmative but indicated there might be some delay since govt did not wish begin its campaign for addit recruits and further mil effort until after harvest. Said he wld appreciate my conveying substance what he had told me informally to Gen Eisenhower and proper auths in Wash so they cld know lines along which new Irish Govt is thinking.

Shld add that Aiken spoke with deep feeling and apparent sincerity. [MacArthur.]

BRUCE

No. 232

740A.5/9-451 Telegram

The Chargé in Ireland (Huston) to the Secretary of State [1]

SECRET DUBLIN, September 4, 1951—6 p.m.

40. FonMin Aiken took occasion afforded by discussion other subject today to tell me he had discussed with MacArthur Paris possi-

[1] Repeated to Paris.

bility of purchasing arms from US to assist in building up Irish defense. Covering much same ground as reported in Paris tel to Dept 1377 August 31 (rptd Dublin 1) [2] Aiken said that when he recently remarked he would like to have "long talk" with me he had this subject in mind and that he also mentioned Ireland's arms needs to Secy Tobin [3] during latter's visit Dublin in July (Embassy not previously informed of this approach).

FonMin referred to DeValera's 1935 statement that Ireland wld never permit its territory to serve as base for attack on Great Britain, and said Ireland does not want to be military vacuum but desires fulfill its role in western defense. For that purpose Ireland hopes to strengthen its army and believes it should be allowed purchase arms in US and possibly some tools to enable local manufacture of certain types of small arms.

Remarking that ideally all peoples desirous combatting Commie aggression should have arms needed for that purpose, I said that over-all requirements of nations organized in joint effort meet Commie threat were very great and I would be surprised if arms and equipment beyond those already committed will be found available. I then asked if Irish Govt considered that FonMin MacBride's discussions with Amb Garrett last year, PriMin DeValera's conversation with me last June (Desp 853 [*852*], June 28 [4]), and his own discussions with Secy Tobin and MacArthur constituted formal or direct request to US Govt for purchase of arms. Aiken replied that all these discussions were designed to make known to US Ireland's need and desire to purchase arms to enable this country fulfill its role in gen defense effort, but since DeValera and Defense Min Traynor have not yet moved into firm position on subject he (Aiken) did not know when formal request might be made.

HUSTON

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[2] *Supra.*

[3] U.S. Secretary of Labor Maurice J. Tobin.

[4] Document 230.

No. 233

740A.5/9-451:Telegram

The Secretary of State to the Embassy in Ireland [1]

TOP SECRET WASHINGTON, September 13, 1951—noon.

27. Ref Embtel 40 Sep 4, [2] Embdes 87 Aug 9. [3] Aiken's conversations with MacArthur (Paris Tel 1377 Aug 1 [*31*], rptd Dublin 1) [4] and Huston nearest to overt approach Irish have made to US on arms assistance since their rejection NATO charter membership.

US assessment potential Irish contribution to Western security, so far as Dept aware, remains as expressed NSC 83/1 which is to effect Irish contribution wld be useful if offered through NATO and with no strings attached but not essential under present circumstances.

Question bilateral arrangements with Ireland outside NATO have not been raised since; there are no negots underway or contemplated by Dept which believes recent conjecture on subj largely Irish inspiration.

Emb is correct in stressing limited US resources are heavily committed to priorities established under regional mutual security arrangements.

Emb shld avoid encouraging Irish to believe US wld welcome Irish overtures on arms arrangements outside NATO. Dept believes Ireland's role in Western security can best be played within NATO and concedes Ireland cld contribute usefully within that framework. As for bilateral arrangements, however, it doesn't believe benefits to US which might result wld warrant derogation from mutual assistance principles assumed by all NATO signatories in area of which Ireland integral part.

Emb might point out US willingness welcome Ireland as NATO member shld not be weighed lightly against considerations which have deterred Ireland from joining. At time invitation was extended US, like all other NATO members, did not concede relevance of partition to question of Irish membership nor does it now.

FYI Dept inclined think Ireland and UK at Irish initiative conceivably might work out mutually satis exclusion of partition issue from Irish NATO membership if Ireland sincerely interested in

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[1] Drafted by Hamilton of BNA and cleared by Raynor of BNA, Parsons of RA, and Bonbright of EUR. Also sent to London.

[2] *Supra.*

[3] This reference is inaccurate. Despatch 87, August 9, deals with another subject.

[4] Document 231.

membership question other than as instrument of pressure on US and UK.

ACHESON

No. 234

740A.5/9-2051: Telegram

The Chargé in Ireland (Huston) to the Secretary of State [1]

TOP SECRET DUBLIN, September 20, 1951—6 p.m.

58. Re Deptel 27 rptd London unn Sept 13. [2] Fol discussion of another subj with FonMin Aiken today, I referred to our conversation Sept 4 (Embtel 40, Sept 4, rptd Paris 2 pouched London [3]) and said subsequent review of info available Emb and consultations with service attachés had confirmed my initial reaction to Irish Govt's desire purchase US arms, i.e. availabilities probably extremely limited as US resources are heavily committed to priorities established under regional mutual security arrangements.

I then said according my own purely personal analysis there exist three conceivable gen procedures for procurement US arms: (a) special or negot allocation arms under bilateral agreement or defense alliance; (b) adherence collective defense group viz. NATO; or (c) simple purchase surplus or commercially available arms. First (a) probably was not possibility in reality I continued, as bilateral arrangement wld be incompatible with concept of collective defense North Atlantic area and collective mutual aid responsibilities assumed by NATO signatories and it seemed highly improbable US wld consider benefits such arrangement sufficient to warrant deviation from mutual assistance principles embraced by all NATO signatories. Ireland, on other hand, had not wished to avail itself of (b), having indicated in 1949 it could not participate in NATO as long as partition existed. This, as I saw it, left only (c). While I felt certain US Government naturally wld view sympathetically any Irish endeavor or request obtain US arms through purchase of items either commercially available or surplus to US-NATO and other priority commitments, items in which Ireland interested are either extremely limited or nonexistent in open market and, as US stocks and current production heavily committed, it was doubted if much could be acquired by this means, particularly as any surplus could probably not be disposed of without approval other countries

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[1] Repeated to London and Paris.

[2] *Supra.*

[3] Document 232.

concerned. While NATO countries have pooled their defense efforts on entirely voluntary basis and it obviously for Ireland to decide whether it desires participate in joint effort, US believes its willingness welcome Ireland as NATO member shld not be weighed lightly against considerations which so far have deterred Ireland from joining. When invitation was extended, US like all other NATO members did not nor does it now concede relevance partition to question Irish membership. When in Washington last May, I added, I gained impression—and had reason to believe it was still valid—opinion existed in Dept that if Ireland sincerely interested in membership question or assumption positive role in Eur defense it shld be possible for Ireland and UK perhaps at Irish initiative work out naturally [*mutually*] satisfactory means excluding partition issue from Irish NATO membership.

Aiken said assuming worst i.e., that nothing can be done about partition for moment, Ireland must do what it can to strengthen its defenses, adding "we have buying mission in Sweden and recently succeeded in purchasing some anti-tank weapons in Belg and will dig up what we can elsewhere". Referring again to 1935 De Valera statement Ireland wld never be base of attack on UK, he said coalition govt had done nothing about Ireland's defenses, which must be built up as rapidly as possible by present govt. His fear in event war is Russian airborne landings; Germans made big mistake in not coming this way in last war and it too much to hope USSR wld make same mistake. He accordingly feels it important Ireland not be mil vacuum, but have enough modern arms particularly light machineguns and anti-tank weapons to enable Irish mil and civilian defense forces prevent success of landing. Machine tools to make possible Irish manufacture light equipment such as machineguns wld be particularly useful. He concluded by saying "Please tell your people—not formally of course—we feel it very important Ireland be enabled to purchase arms even if in limited quantities for training and morale purposes".

Conversation ended with discussion of partition which will be reported separately. [4]

HUSTON

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[4] Despatch 207, September 21, not printed. The discussion was largely an exposition of what Huston called Aiken's, and ostensibly his government's, views on partition. These views, which Huston said were already familiar to the U.S. Government, involved proposals for ending partition by leaving to Northern Ireland its present degree of autonomy while shifting from London to Dublin the central powers presently exercised by the British Government. Aiken's statements followed generally the lines of informal remarks made to Huston on June 29 by the Assistant Secretary for Political Affairs, Timothy O'Driscoll, which were reported in despatch 857, June 29. Despatches 207 and 857 are in file 740A.00.

No. 235

740A.5 9-2151: Telegram

The Chargé in Ireland (Huston) to the Secretary of State [1]

TOP SECRET DUBLIN, September 21, 1951—2 p.m.

60. Re Embtel 58, rptd info London 8, Paris 5, September 20. [2] Emb agrees implications Deptel 27, September 13, [3] rptd info London unnumbered and convinced Ireland should not be encouraged expect US arms in any substantial quantities except by positive coop role in collective defense. Emb also believes reasons why bilateral arrangement undesirable cited in NSC 83/1 remain valid. Moreover, any bilateral agreement would: represent success of policy putting Ireland's quarrel with UK above need insuring defense free world; be construed as endorsing Irish stand on partition; create apprehension and agitation Northern Ireland; be used by Ireland put increased pressure on UK; be taken as US interference Brit sphere and otherwise place added strain US–UK relations; cause concern among other NATO countries; make US vulnerable to charge unilateral action; invite Leftist attacks US "imperialism"; generate strong polit differences in Ireland; inspire charges Ireland forced into "war pact" by US; and necessitate burdensome change-over from Brit to US type equipment with attendant supply, maintenance and training problems.

Emb believes Irish Govt has inflated idea Ireland's importance to NATO and inclined use membership question as instrument pressure on US–UK re partition but probably realizes nothing likely be done about partition at early date and that bilateral arrangement not likely prospect. Although neutrality-mindedness runs strong in Irish thinking; decision seek arms may reflect recognition existence among certain segments Irish population sentiment favoring some Irish contribution to Eur defense plus consciousness outside criticism country's negative defense posture; decision also possibly encouraged by recent US-Spanish negots [4] and probably calculated less to bolster Eur defense than to assist continuance in power present govt which attacked coalition govt for failing insure country's defense.

Nevertheless, Emb believes US should maintain friendly understanding attitude even if concrete aid impracticable. Irish are

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[1] Repeated to London and Paris.

[2] *Supra.*

[3] Document 233.

[4] Reference is to conversations between Admiral Sherman of the Joint Chiefs of Staff and General Franco at Madrid in July. See the memorandum of conversation, Document 386.

touchy and will balk at being coerced into NATO but respond to friendly gesture, which might also prevent US eventually being blamed for undefended Ireland if Irish arms needs summarily denied consideration.

HUSTON

No. 236

840A.00R/11-2251. Airgram

The Acting Secretary of State to the Embassy in Ireland [1]

CONFIDENTIAL WASHINGTON, November 22, 1951.

A-53. With the enactment of the Mutual Security Act of 1951, [2] certain amendments must be made in existing bilateral ECA and MDAP Agreements. It is considered important to have a single exchange of notes cover all such amendments with a given country and to have uniform notes for all countries requiring similar amendments. Below is a draft agreement applicable to countries having ECA Agreements, but no MDAP Agreements. The agreement must be registered with the Secretariat of the United Nations in conformity with Article 102 of the U.N. Charter.

You are requested to discuss this draft with the Government of Ireland with a view to completing the agreement through an exchange of notes as soon as possible. Prompt action is necessary because Section 531 of the Mutual Security Act provides that no aid can be given a country which has not given the Section 511 assurances within 90 days after the enactment of the Act. This means that the exchange of notes must be completed by January 8, 1952, at the latest.

Your comments on the attached note are invited. It is hoped, however, that because of the need for prompt action and the great importance of maintaining uniformity as among countries, you will be able to begin negotiations immediately on the basis of the attached draft.

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[1] Drafted by Fesenden of RA; cleared in substance by L/E and BNA, ECA, the Department of Defense, and the Office of the Director for Mutual Security.

The Secretary was in Europe to attend the Sixth Session of the U.N. General Assembly and the Eighth Session of the North Atlantic Council.

[2] This act, signed by President Truman on October 10, combined under one program and one agency the purposes and activities initiated by the Foreign Assistance Act of April 3, 1948; the Mutual Defense Assistance Act of October 6, 1949; and the Act for International Development of June 5, 1950. For text, see Stat. 373.

To guide and assist you in discussing the draft note, a commentary has been inserted after each section explaining the reasons for each provision in the note.

"I have the honor to refer to the conversations which have recently taken place between representatives of our two Governments relating to the Economic Cooperation Agreement between the United States of America and Ireland, signed at ———— on ————, as heretofore amended, and to the enactment by the Congress of the United States of the Mutual Security Act of 1951, Public Law 165, 82nd Congress. I also have the honor to confirm the understandings reached as a result of these conversations as follows:

"The Government of ———— has expressed its adherence to the purposes and policies of the Economic Cooperation Act of 1948 as heretofore amended, including the statement of purpose contained in section 2 of the Mutual Security Act of 1951 and re-affirms that, along with the Government of the United States of America, it is firmly committed to join in promoting international understanding and good will and in maintaining world peace and to take such action as may be mutually agreed upon to eliminate causes of international tension. Whenever reference is made in any of the articles of such Economic Cooperation Agreement to the Economic Cooperation Act of 1948, such reference shall be construed as meaning the Economic Cooperation Act of 1948, as heretofore amended."

(*Comment:* The opening clause is the standard language used in prior years to amend the Economic Cooperation Agreements in recognition of amendments in the underlying Act. The additional language, referring to the Mutual Security Act, is included to reflect the new purpose set out in section 2 of that Act which states that the purposes of the Mutual Security Act shall "hereafter be deemed" to be included in the purposes of the constituent Acts.

The purpose of the proposed language beginning "re-affirm that" is to commit the recipient government to the undertakings required by section 511(b) of the Mutual Security Act. It is considered important to have the language accepted without change so that we will not have to negotiate different language with each separate country.)

"1. Sums allocated to the use of the Government of the United States of America pursuant to paragraph 4 of Article IV of the Economic Cooperation Agreement may be used by the Government of the United States of America for its expenditures in any area."

(*Comment:* This proposed language changes the area in which the United States may use the 5% counterpart so that it may be used anywhere and not solely "within the country" which made the currency available. We recognize the problem that this provision may

raise and are prepared to comment more fully on receipt of initial reactions.)

"2. Paragraph 6 of Article IV of the Economic Cooperation Agreement shall include expenditures for the encouragement of emigration from participating countries having permanent surplus manpower to areas, particularly the undeveloped and dependent areas, where such manpower can be effectively utilized."

(*Comment:* Section 523(a) authorizes the United States to agree to the release of counterpart for the purpose of encouraging emigration. The proposed language of the amendment adds this purpose to the list contained in the Economic Cooperation Agreements of purposes for which counterpart will be released.)

"3. In lieu of the date referred to in paragraph 7 of Article IV of the Economic Cooperation Agreement, the amount of unencumbered balances referred to in that paragraph shall be determined as of the date of the termination of the assistance program under this Agreement."

(*Comment:* Section 523(d) of the Mutual Security Act authorizes the final determination of the use of counterpart to be made when the assistance is terminated, and not necessarily on June 30, 1952. The proposed amendment to the Agreements incorporates this change.)

"4. The two Governments will establish procedures whereby the Government of ———— will so deposit, segregate, or assure title to all funds allocated to or derived from any program of assistance undertaken by the Government of the United States so that such funds shall not be subject to garnishment, attachment, seizure or other legal process by any person, firm, agency, corporation, organization or government, when in the opinion of the Director any such legal process would interfere with the attainment of the objectives of the program of assistance."

(*Comment:* Section 515 of the MSA requires all countries receiving assistance "to deposit, segregate or assure title to all funds allocated to or derived from any program" so that they shall not be subject to legal attachment when the Director of Mutual Security is of the opinion that such legal process would interfere with the objectives of the Act. This section was enacted out of concern by Congress over the type of situation which arose when funds intended for assistance to Greece were attached in Belgium in the course of the past year. [3] It is recognized that in certain situations attachments are possible on US foreign aid funds, or funds derived therefrom, such as five percent counterpart or local currency credits re-

[3] Reference here is to the so-called "Socobel" or "Socobelge" case. See footnote 5, Document 129 and telegram Ecato 344, Document 135.

sulting from conditional aid, wherever there is an assistance program of any kind in the area. Attachments could also occur in connection with funds being used for procurement by the United States Government in one of the recipient countries. Thus, it is deemed necessary to ask all the countries to agree to the anti-attachment provision which is considered the minimum step which must be taken now in order to comply with the statute.

Although it is impossible now to outline all cases where attachment would interfere with the program, the problem becomes generally significant only in those cases where advances of funds are made prior to actual delivery of goods and services. The provision would have no effect where the country obtains the commodity or service involved with its own resources and the US has reimbursed such country on receipt of documentation showing that the commodity or service has actually been purchased and delivered or where the US makes available commodities or services and payments are made directly by the US to the suppliers.

In those cases where the attachment provision will require action to be taken, the governments can be assured that the US will cooperate in helping to work out arrangements for compliance that will not be unduly burdensome. What procedures will be required will, of course, depend upon the extent of the problem in a particular country and in many cases no present action may be necessary other than adding this general amendment to the bilateral agreements.)

"Upon receipt of a note from your Government indicating that the foregoing provisions are acceptable to the ———— Government, the Government of the United States of America will consider that this Note and your reply thereto constitute an agreement between the two governments on this subject which shall enter into force on the date of your note in reply." [4]

WEBB

[4] The text of this draft note, with insignificant changes, was handed to Foreign Minister Aiken on December 7 by Ambassador Francis P. Matthews who had presented his credentials on October 22. In his report on this action, telegram 89, December 7, Matthews commented on two points in the note that he believed would cause serious reservations on the part of the Irish Government. (740A.5-MSP/12-751)

No. 237

740A.5-MSP/12-2551: Telegram

The Ambassador in Ireland (Matthews) to the Secretary of State

RESTRICTED PRIORITY DUBLIN, December 25, 1951—2 p.m.

95. Verbatim text note re ECA-MSA transfer delivered personally to me Dec 24 by FonMin Aiken given below. Emb comments next following telegram.

1. "I have the honor to refer to our conversation of 7 Dec relating to the economic cooperation agreement, signed at Dublin on 28 June 1948 as heretofore amended, and to the enactment by the Congress of the United States of America of the Mutual Security Act of 1951, Public Law 165, 82nd Congress.

2. The Government of Ireland have, since I saw your Excellency, studied carefully the terms of the Mutual Security Act and have examined its relationship to the economic cooperation agreement signed at Dublin. They observed that the act makes provision for the rendering of free military and free economic assistance in certain cases. They note that the act maintains the principle of payment of unexpended balances of appropriations made for the purposes of the economic cooperation acts, 1948 to 1950; this confirms the notification contained in the *aide-mémoire* of the United States Embassy, dated 16 Feb 1951 [1] to the effect that such balances wld continue to be available until fully utilized for the purposes mutually agreed upon. In this connection, the Irish Government are willing to agree that the sums mentioned in paragraphs 4 and 6 [2] of Article IV of the economic cooperation agreement of 1948 shall be spent by the government of the United States in any area and for any purpose it wishes.

3. The Irish Government desire again to express their gratitude for the loan, grant and technical assistance provided by the United States Government under the economic cooperation acts and the relevant agreement and to place on record the Irish people's appreciation of the spirit of goodwill by which they were prompted. While the Irish Government will use the unexpended balances of these funds for the purposes for which they were so generously made available, they do not ask the Government of the United States for free military assistance or for further free economic assistance.

4. The Irish Government trust, however, that in the manner outlined in para 9 of this note, the Amer government will help the Irish people in the present dangerous world situation to build up their defensive strength.

5. As the Government of the United States is already aware, the government and people of Ireland conceive it to be their duty to make the maximum contribution in their power to the promotion

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[1] Not printed.

[2] A copy of this note of December 24, enclosed in despatch 434 from Dublin, January 10, 1952, refers only to paragraph 4 at this point. (740A.5-MSP/1-1052)

of international understanding and goodwill, to the maintenance of world peace and to the elimination of causes of international tension. It is because they seek these objectives without qualification or reserve that the Irish Government wish to obtain a peaceful and early ending of the unjust partition of Ireland which not only adversely affects the internal development of the Irish nation but dominates its approach to all questions of external policy. The Irish Government and people remember with gratitude the sympathy which Amer governments and the Amer people have manifested in regard to Ireland's right to freedom. They trust in a continuance of that sympathy until Ireland is again united, as it was before the British Parliament divided it in 1920 against the will of the Irish people, declared by a four to one majority.

6. Notwithstanding Irish resentment at the maintenance of partition by the British Government, the Taoiseach Mr. De Valera, declared in 1935 that Ireland wld not allow her territory to be used as a base for attack against Britain and, during the last war, this pledge was scrupulously honored.

7. The Irish Government desire to assure the Government of the United States that they will do all in their power to repel or defeat any attack upon the area under their jurisdiction and to prevent any attempt to use their territory as a base for attack against the United States or Britain. Ireland cannot, except in the case of an unprovoked attack, however, consistent with her history and her national stability, consider entering into any further military commitment with other countries for joint defense so long as she is denied the national unity and freedom which they already enjoy.

8. While earnestly praying that they may be mistaken, the Irish Government deem it only prudent to assume that the present tension is likely to lead ultimately to war and are concerned lest Irish territory should be inadequately defended. They are, accordingly, expanding the regular army and auxiliary services, such as the local defense force and the civil defense services, and are making every effort through the ordinary commercial channels, though so far with only a very limited degree of success, to obtain the requisite modern equipment.

9. The Government of Ireland, wld, therefore, be grateful if the Government of the United States wld facilitate their efforts to strengthen Ireland's defense forces by arranging for the sale to the Dept of Defense of modern arms and equipment. If, at present, the Amer government cannot spare an adequate amount of such supplies, the Irish Government wld urge most strongly that quantities sufficient at least for training purposes should be delivered as soon as possible, together with materials, designs and technical assistance for the production of such of these weapons and equipment as could be made in Ireland. The Irish Government will gladly pay for any such material as the Government of the United States may be good enough to make available."

MATTHEWS

No. 238

740A.5-MSP/12-2551 Telegram

The Ambassador in Ireland (Matthews) to the Secretary of State

CONFIDENTIAL PRIORITY DUBLIN, December 25, 1951—4 p.m.

96. Re Deptel 63, December 21; [1] Embtel 95, December 25. [2] Emb comment on Irish Govt's reply [3] to Emb note of December 7 follows:

1. Although language of reply does not correspond very closely to that contained in Emb note, it is believed to meet substantially principal points made except those contained in numbered paras three and four of Dept's airgram 53 of November 22. [4] Emb believes if Dept requires specific acceptance these points Irish Govt wld not object to altering or supplementing reply accordingly.

2. Emb considers introduction partition issue and request for arms assistance extraneous to purpose of proposed exchange of notes. Since, as reply states, partition "dominates" Irish approach to all questions of external policy Irish Govt may insist on including some mention this subject, although Emb could if Dept desires seek Irish agreement to eliminate partition and arms questions and hold text of reply more closely to subject in hand. If Irish Govt wishes discuss these matters with United States it could do so in separate communication.

3. Circumlocution of reply probably at least partly due to Irish sensitivity to passage reading "firmly committed to join in promoting", etc. as result of Irish refusal to "join" NATO or any other collective defense effort while partition remains.

4. Dept will note Irish Govt's avowed determination to prevent any attempt use its territory as "base for attack" not only against Brit, as stated on previous occasions, but also against United States.

Emb was awaiting opportunity to discuss proposed exchange of notes with Irish when Aiken brought me his govt's completed reply. In circumstances Emb wld appreciate immediate instructions regarding acceptability Irish reply and lines along which Dept desires Emb pursue any further negotiations.

MATTHEWS

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[1] Telegram 63 proposed minor changes in the U.S. note delivered by Matthews on December 7 and suggested certain words of explanation that might overcome the Irish reservations foreseen by the Ambassador. (740A.5-MSP/12-2151)

[2] *Supra.*

[3] Note dated December 24. See telegram 95, *supra.*

[4] Document 236.

No. 239

740A.5 MSP/1-1052

Memorandum by the Chargé in Ireland (Huston) [1]

CONFIDENTIAL DUBLIN, December 31, 1951.

1. The Note which Mr. Aiken handed Ambassador Matthews on December 24 [2] does not meet the requirements of the Mutual Security Act of 1951.

2. The completion by January 8 of an exchange of Notes between the Irish and United States Governments so phrased as to constitute an agreement between the two Governments is necessary in order to meet the new legislative requirements. If an agreement is not concluded by that time, the remainder of the aid which Ireland expected to receive under the ECA agreement cannot be delivered under the Mutual Security Act and hence will be lost.

3. The limits within which the terms of the presently proposed exchange of Notes can be phrased have been set by the specific language of the Mutual Security Act of 1951. The new agreement should be of a strictly contractual nature, nothing coming into it except the stipulations necessary to allow completion of aid under the new act.

4. The agreement represented by the exchange of Notes must be registered with the Secretariat of the United Nations in conformity with Article 102 of the United Nations Charter.

5. As regards any sales of arms or reimbursable arms assistance, the United States is prepared to give such consideration as is possible to Irish needs, consistent with priorities absorbing present capacity for United States Forces, NATO, United Nations Forces Korea, etc., but believes this question should be raised in a separate communication giving greater detail as to estimated Irish requirements.

6. The introduction of the question of Partition or other political matter into the proposed exchange of Notes represents an unacceptable and unnecessary qualification of the assurances required under the Mutual Security Act. The United States position that the United States cannot usefully or properly intervene in the problem of Partition is well known to the Irish Government.

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[1] This memorandum, enclosed in despatch 434 from Dublin, January 10, 1952, recorded the points made orally by Huston to Nunan in their conversation of December 31, 1951. The despatch enclosed 19 other documents on this subject written between November 22, 1951 and January 10, 1952. (740A.5 MSP/1-1052)

[2] See Document 237.

7. The Embassy believes it would be helpful if representatives of the Ministry for External Affairs and of the Embassy could reach oral agreement on the substance of the Notes before the actual exchange.

ITALY

EFFORTS OF THE UNITED STATES IN SUPPORT OF DEMOCRATIC FORCES IN ITALY; ATTITUDE OF THE UNITED STATES TOWARD THE REVISION OF THE TREATY OF PEACE WITH ITALY; VISIT OF PRIME MINISTER DE GASPERI TO WASHINGTON IN SEPTEMBER [1]

No. 240

S/S–NSC files, lot 63D351, NSC 67

Statement of Policy Proposed by the National Security Council [2]

TOP SECRET
NSC 67/3

WASHINGTON, January 5, 1951.

THE COMMUNIST THREAT TO ITALY

1. The United States should:

a. Continue to make full use of its political and economic resources to assist in preventing Italy from falling under the domination of the USSR and to assist the Italian Government in meeting the communist threat so long as that Government evidences a determination to oppose communism.

b. Seek to prevent acceptance by Italy of a position of neutrality particularly by promoting continuation of Italy's anti-communist attitude.

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[1] For previous documentation on these subjects, see *Foreign Relations*, 1950, vol. III, pp. 1482 ff.

[2] The source text, along with a cover sheet and a note by the Executive Secretary of the National Security Council, James S. Lay, Jr., was circulated as a draft to members of the NSC and designated NSC 67/3 of January 5, 1951. Prepared by the NSC Staff on the basis of an initial Department of State draft, this statement of policy resulted from Deputy Under Secretary of State Matthews' memorandum of October 12, 1950, which recommended that NSC 67/1, April 21, 1950 (*Foreign Relations*, 1950, vol. III, p. 1486), be revised in light of events in the Far East. While the statement of policy remained applicable, Matthews believed that the policies for contingencies needed change. (S/S–NSC files, lot 63D351, NSC 67 series)

On the basis of suggestions submitted by Matthews, the first revision of NSC 67/1 was drafted and circulated to the members of the NSC as NSC 67/2 of December 29, 1950. The Joint Chiefs of Staff and Department of Defense staff members objected to several parts of NSC 67/2 and their suggested changes were incorporated in the final approved text which is printed here. The differences in text between NSC 67/2 and NSC 67/3 are noted in footnotes below. NSC 67/3 was approved by the National Security Council on January 10 and then sent to the President for his approval. The President approved of NSC 67/3 on January 11 and directed that it be implemented by all appropriate departments and agencies under the supervision of the Secretary of State.

c. Continue the display, with the concurrence of the Italian Government in each case, of United States military forces in Italian waters and airspace.

d. Recognizing that it is important to the security of the United States and other NATO countries that Italy meet in full its defense obligations as may be agreed in NATO, notwithstanding the military limitations of the Italian Peace Treaty, take diplomatic action as appropriate to assure that the Treaty limitations do not prevent Italy from meeting its joint defense obligations.

2. In the event of an external attack against Italy, the United States should make such use of its military power as it may agree to be necessary under the North Atlantic Treaty in accordance with the purposes and provisions of the Charter of the United Nations or other international agreements.

3. In the event either that an armed communist insurrection receives assistance from outside Italy, or that a portion of Italy falls under communist domination by armed insurrection or other illegal means, the United States should:

a. To the extent practicable in the light of conditions existing at the time, act through the United Nations and NATO to restore peace in Italy and the authority of the legal Italian Government.

b. Suspend aid to communist-dominated areas.

c. Strengthen its support of the legal government and increase military assistance as practicable for areas under the latter's jurisdiction.

d. To the extent required by the situation, take measures to strengthen the military power in being of the United States.

e. In consonance with over-all strategic concepts, recognizing that the integrity and security of Italy are inseparable from the security of the North Atlantic area and the Eastern Mediterranean, and in consonance with the international commitments of the United States, make such use of U.S. military power as may at the time be appropriate to prevent Italy from falling under communist domination. [3]

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[3] Subparagraph e in NSC 67/2 read as follows:

"In consonance with over-all strategic plans, make such use of its military and naval power as it may deem necessary in accordance with the purposes and provisions of the Charter of the United Nations, the North Atlantic Treaty, or other international agreements which use might entail any of the following steps:

"(1) Strengthening United States military forces in the Mediterranean area outside of Italy at such places and in such manner as may be most effective.

"(2) Upon request of the legal Italian Government and after consultation with the British and other NAT countries, deploying forces to Government-controlled sections of peninsular Italy to support the legal Government in its efforts to restore its control over Italian territory.

"(3) Deploying forces to Sicily or Sardinia or both, with the consent of the legal Italian Government and after consultation with the British and other NAT countries, in strength sufficient to occupy these islands against indigenous communist oppostion."

Continued

4. In the event of an external attack against Italy, or in the event that an armed Communist insurrection receives assistance from outside Italy, or that a portion of Italy falls under communist domination by armed insurrection or other illegal means, the United States should encourage the legal government of Italy to ignore any remaining military restrictions of the Treaty of Peace with Italy. [4]

5. In the event that the communists gain participation in the Italian Government by legal means and threaten to achieve control of the Italian Government, or in the event that that Government ceases to evidence a determination to oppose communist internal or external threats, the United States should initiate measures . . . designed to prevent communist domination and to revive Italian determination to oppose communism. Further, the United States should take military measures in collaboration with other North Atlantic Treaty nations to counter communist actions which would threaten the strategic position of the United States in the Mediterranean.

6. Any commitment of United States armed forces to the Italian area beyond that contemplated in paragraph 1c. above will be considered in the light of recommendations by the Joint Chiefs of Staff at the time.

At the request of the staff members representing the Joint Chiefs of Staff, the Department of Defense, and the National Security Resources Board, this subparagraph was deleted and replaced by the text of subparagraph e recommended by the Department of Defense and printed here.

[4] Paragraph 4 was a new addition to the revised report; it did not appear in NSC 67/2. Paragraphs 4 and 5 in NSC 67/2 were renumbered as paragraphs 5 and 6 in the source text.

No. 241

Editorial Note

On January 9, Senator Henry Cabot Lodge sent a letter to the Department of State in which he expressed concern over the military provisions of the Treaty of Peace with Italy and how these provisions prohibited Italy's rearmament. Lodge called for some steps to "end the present highly unfortunate and unjust situation" caused by the Peace Treaty. Senator Lodge's letter and the Department's response are printed in Department of State *Bulletin*, March 5, 1951, page 379.

No. 242

765.5-MAP/1-951 Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET PRIORITY ROME, January 9, 1951—7 p.m.

2938. Tomap. This is joint Embassy-ECA message. Further reference Toeca 1371 repeated Torep 1500, London 313, December 30. [2]

Pella informs us Treasury prepared proceed financing 250 billion supplementary defense program prior to any commitment amount US aid. Also informed this decision taken at Cabinet level after statement by Prime Minister that for both moral and political reasons, defense needs must be met now whether US aid forthcoming or not. We have impression Pella has reconciled himself to necessary risks, but that both he and Prime Minister banking on protection available US aid will give their economy. We were informed Cabinet has taken decision immediately submit legislation on rearmament program to Parliament and concurrently request emergency powers which will permit establishment necessary economic and security controls including allocation raw materials, establishment investment priorities, etc.

Would appreciate receiving your preliminary reaction reference telegram. In light above action by Government, believe approval recommendations paragraph 6 justified.

Following was confidentially given by Ferrari-Agradi as breakdown 250 billion defense expenditure as it will be presented in rearmament legislation to be submitted to Parliament (figures in billions lire):

Breakdown by forces: Army 138; Navy 40; Air Force 55; Carabinieri 7; anti-aircraft 9; reserve 1; total 250.

Breakdown by purposes:

New constructions 38.5 Navy 25 (Air Force 13.5); personnel 10.4; Quartermaster Corps 54.3; Ordnance 92.0 (artillery and ammunition 53.0) (motor transport 39.0); medical service 1.6; telecommunications 15.0 (radar and air navigation aids) defense construction and bases 27.9 (Army 7) (Navy 2) (Air Force 18) (AA 0.9); Engineer Corps 7.0; research 1.0; reserve and miscellaneous 2.3 (veterinarian service 0.4) (Transport 0.9) (reserve 1.0); total 250.

Will cable separately our impressions this breakdown when confirmed.

DUNN

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[1] Repeated for information to London for EDECC and Paris for OSR.

[2] Not found in Department of State files.

No. 243

865.062/1-1251 Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

CONFIDENTIAL ROME, January 12, 1951—8 p.m.

3013. Paris pass Brussels, Hague, London pass Moscow. Communist labor organization CGIL executive committee at conclusion meeting January 11 took step which has all earmarks of being Italian chapter of important new move in international Communist peace campaign. There seems to be involved carefully planned attempt to bring about alignment not only of Communist and non-Communist labor organizations in Italy but of ICFTU and WFTU as well in effort throughout world to bring about disarmament. Proposal made in identical letters addressed to anti-Communist Italians labor organizations CISL and UIL. Letter thoroughly gentle and moderate in tone and obviously drafted in such a way as to make rejection by CISL and UIL as difficult as possible.

After long introduction in which gently criticizes CISL support for rearmament and CISL statement that all Italians must be ready to make sacrifices for rearmament because of seriousness of Soviet threat letter gets down to brass tacks by making following three proposals to CISL and UIL:

1. That the three confederations while reserving their several positions and retaining each the fullest liberty of action, reach a joint agreement to consider all steps which might possibly prevent or eliminate danger of aggression and war, inspired by principles we feel are common to all labor organizations, namely, collective security, non-interference of state in internal affairs of other states and free and peaceful coexistence of all social systems and all human races.

2. That three confederations jointly request Italian Government to propose to UN convocation of international conference for general disarmament to be achieved, even if by degrees under direct control of UN and reinforced by an adequate representation of the international trade unions, in order to ascertain beyond peradventure of doubt that disarmament is achieved with same gradualness and in same concrete forms in all countries without exception. Mere acceptance of principle of this proposal and of conference by principal governments would bring about atmosphere of trust in which peaceful resolution of all problems presently causing bitterness and international disagreement, through direct or collective negotiations, would be much facilitated.

3. That three confederations of Italian workers by common accord proposed to two international labor organizations today ex-

[1] Repeated to London, Paris, Brussels, The Hague, Frankfurt, Moscow, and Vienna.

isting that this same move be extended by workers to other countries and that they agree among themselves on common proposals to be submitted to UN to bring about relaxation of general situation, safeguard peace among all peoples, and realize conditions favorable to general disarmament.

> "The executive committee declares CGIL is ready to give greatest consideration to any other proposals which may be advanced by CISL or UIL toward safeguarding of peace and preservation of peoples from all aggression through general disarmament".

CISL directorate will consider reply at meeting Florence 13. Secretary General Pastore has already declared all Italian workers know how CGIL bound to Communist Party and USSR and is strange all at once CGIL leaders become proponents of disarmament when up till now have sung praise of Red army. Cited Red Square May Day speech 1949 of CGIL Secretary General Di Vittorio. Asked whether CGIL now ready voice condemnation Soviet armament program.

UIL spokesman Vigliaklef said "UIL does not let self be led by propaganda which masks, under cover of outward pacifism, forces actually committed to policy of imperialism and aggression."

Contemporaneously with above, Communists continuing build up for disorders arrival Eisenhower. [2] Are pretending strikes and protest meetings will be spontaneous and not ordered from above. Accordingly each category of workers holding meetings and voting to protest Eisenhower's visit by strikes of agitations.

DUNN

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[2] General of the Army Dwight D. Eisenhower, newly-appointed Supreme Allied Commander in Europe, was scheduled to visit various European capitals beginning January 7 prior to the establishment of SHAPE in Paris. For the report of his visit to Italy on January 18, see telegram 72 from Luxembourg, January 19, vol. III, Part 1, p. 438.

No. 244

865.062/1-1551: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

CONFIDENTIAL ROME, January 15, 1951—9 p.m.

3037. Anti-Commie CISL and Socialist UIL labor organizations have both skillfully parried with counter-attacks Commie CGIL

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[1] Repeated to London, Paris, The Hague, Brussels, Frankfurt, Moscow, and Vienna.

proposal that all Italian labor unions and both international labor organizations WFTU and ICFTU join forces to propose disarmament. (Embtel 3013, January 12, repeated London 335, Paris 408, Brussels 19, Hague 14, Frankfort 228, Moscow 83, Vienna 79. [2])

CISL executive committee reply accused USSR of having pushed great armament campaign during last five years. Said CISL would accept CGIL proposal only after delegation of workers from all countries have made voyage of inspection to USSR to ascertain: Whether liberties have been suppressed there or whether there are observed traditional democratic methods permitting workers to have opinions and to remove leaders when so desire, whether is true that exist in Soviet Union concentration camps and forced labor for all who don't agree with opinions of leaders; whether is true that Russia has today most powerful military apparatus, most warlike army and factories and warehouses exclusively committed to producing cannon, armored cars, airplanes, etc.; and whether normal trade union liberties do or do not exist in Soviet Union. Concluded if such inquiry revealed Soviet Union country of peace, freedom, democracy and social justice, CISL would adhere to CGIL proposal.

Socialist UIL executive committee reply said while UIL would fight to prevent world from being over-run by conflict, "We are nevertheless equally determined to denounce once again your attempt to credit Soviet Union with being country which, since is governed by workers in interests of workers, cannot want war. In reality there does not exist in Soviet Union free expression of will of workers, nor an informed and responsible public opinion; everything depends on decisions of oligarchy which can at will ally itself with Nazism-Fascism or democracies, annex new territories, deport millions of workers and abolish trade union liberties." Concluded saying if CGIL leaders truly wished to contribute to saving peace they should work to have all workers assured right to speak freely and directly to comrades in all countries and to have doors of all countries opened to workers to permit them to compare experiences and ways of life so that might judge which states were police states and which democratic. Concluded only then could common campaign for peace be discussed.

Suggest substance above and Embtel 3013, January 12 be passed INP and VOANY.

DUNN

[2] *Supra.*

No. 245

765.00/1-1551

Memorandum of Conversation, by the Secretary of State [1]

SECRET [WASHINGTON,] January 15, 1951.

Subject: Italian Defense Effort

Participants: Ambassador Tarchiani
The Secretary of State
Mr. Homer M. Byington, Jr., WE

The Italian Ambassador said that on his recent return to Italy he found the Italian Government even more determined to go ahead with its defense plans within the NATO than he had expected. He had had a four-hour conversation with Prime Minister de Gasperi who saw the whole issue very clearly indeed. There was no doubt in the Prime Minister's mind where Italy should stand and we could count on Italy to do her utmost in the defense effort. The Ambassador said that he had also talked with certain other members of the Christian Democratic Party whom he had regarded as not very strong. They had surprised him by the firmness of their views. He added that the Christian Democratic Party had made a survey of public opinion throughout Italy and had found that the Italian people fully realized the need for extraordinary Italian defense measures and that there was no question but that the Italian people were fully behind the Government. He said that the Vatican, while always for peace, also realized the need for urgent defense and were squarely behind the Government and the NATO. He had received these views from two such opposite Catholic leaders as Don Sturzo, who could be said to be somewhat Leftist in his approach, and Monsignor Montini, who certainly represented the Right Wing element of the Vatican. He pointed out the great success that Prime Minister de Gasperi had in the recent Senate debate where he had obtained an overwhelming majority and clearly stated Italy's position as not being between conflicting forces but completely on one side. He said that the Italian Government did not want to be, and were not going to be, a bridge between the east and the west, but on the contrary, were determined to do their utmost to move ahead with Italy's share in the common defense.

The Ambassador then made a strong appeal to me that the United States should speed up its consideration of the present Italian plans and the decision as to what U.S. assistance could be granted. He emphasized that Italy was not in any sense making its

[1] Drafted by Byington.

effort contingent upon U.S. assistance. In fact, the Government was going ahead full speed now with active defense measures. There would naturally be a limit, however, to what Italy could do without U.S. aid in the form of raw materials and food and the sooner this question could be clarified the more Italy could accomplish. The Ambassador was informed that we expected to have an answer very shortly. I expressed approval of what the Ambassador had told me and said that it was exactly to help translate plans into action that General Eisenhower was now visiting the respective NATO countries. The Ambassador said that General Eisenhower's visit to Italy would be very beneficial and that he was sure the General would be impressed by the Italian determination to go ahead.

When the Ambassador mentioned the magnitude of the recent Italian decision to spend lire equivalent of $400 million additional for defense, I said that some confusion had arisen whether this money was to be spent in the current calendar year or during the next three years. The Ambassador replied categorically that the money was to be spent before December 31, 1951. He said that the reason for the language was budgetary and in accordance with the requirements of the Italian constitution with regard to Italian Government expenditures. He said there was no question but that the Parliament had already agreed to Italy's foreign policy and would appropriate this sum. The Government was so certain of this that Minister Pacciardi was already going ahead spending the money. He also said that the government was going to obtain from the Italian Parliament full powers for the economic mobilization of the country and the exercise of controls. I again emphasized the need for all of us to translate the North Atlantic Treaty Organization into action now.

In conclusion Ambassador Tarchiani handed me the attached copy of a message [2] to me from Count Sforza concerning recent decisions of the Council of Ministers with regard to Italian defense. I inquired about the three divisions mentioned as being placed at the disposal of the integrated Atlantic Force. The Ambassador said that he assumed these three specific divisions had been mentioned because the French had placed three divisions at the disposal of Eisenhower. He went on to say that Minister Pacciardi in a later speech had made it clear that all Italy's armed forces were regarded as coming under the NATO and its Supreme Commander.

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[2] Not printed; it briefly summarized the decisions of the Italian Council of Ministers in its sessions of January 5 and 9 to contribute an equivalent of three divisions to an integrated Atlantic Force and to introduce into Parliament a bill authorizing 200 billion lire to integrate the 50 billion already approved by Parliament.

No. 246

765.5-MAP/1-2351: Telegram

The Secretary of State to the Embassy in Italy [1]

SECRET WASHINGTON, January 23, 1951—8 p.m.

3143. Tomap.

1. Fol is joint State-ECA-Defense message promised Ecato 45 [2] and Depcirtel 388.[3] This message intended constitute framework for bilateral negots with Ital Govt regarding Ital def program for period from present to end FY 1951/52 and on US dol aid for same period. In view time factor these negots will include and merge with those contemplated in Deptel 2669, Dec 27, [4] re Ital 250 billion program.

2. Basic objective US policy is maximum possible fulfillment by Ital from Ital resources of Ital share of MTDP within shortest possible time period. [5] In accordance with that objective these negots have as their purpose:

(a) obtaining of such modifications in present and proposed Ital mil program as are necessary (based on an evaluation adequacy of that program in light MTDP requirements and Ital capabilities) assure maximum Ital contribution;

(b) inclusion in Ital def program of those budgetary provisions and econ and financial control measures which are essential for translation program from plans to realization;

(c) to give Ital Govt assurances as to extent US dol aid to be forthcoming, based upon undertaking and execution of (a) and (b). (Such dol aid to come from both MDAP and ECA appropriations

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[1] Drafted by John O. Bell, Assistant Director of the Office of International Security Affairs, and cleared with Harlan B. Cleveland of ECA, Colonel Van Syckle of Defense, and Whitman and Petersen of EUR; sent by pouch to London, Paris, and Heidelberg.

In a memorandum to the Director of the Office of Western European Affairs, Homer Byington, Peterson compared the original ECA draft of this telegram with Bell's first draft and stated that Bell's draft was a great modification of the original which "was highly critical of Italian defense efforts and contemplated far-reaching socialist type controls of great specificity to be demanded as a condition of U.S. support." Both the ECA draft and Bell's draft were subsequently modified before concurrence was received from EUR which objected to the idea of spelling out in great detail how the Italians should run their own economy. (Memorandum, January 25, 765.00/1-2551)

[2] Not printed.

[3] For circular telegram 388 of January 15, which outlined the framework for negotiations with NATO countries concerning their defense efforts, see vol. III, Part 1, p. 29.

[4] Telegram 2669 provided the Embassy in Rome with tentative suggestions concerning how to negotiate with the Italians concerning an increase in their defense production. (765.5 MAP/12-1950)

[5] For documentation concerning NATO's Medium-Term Defense Plan (MTDP) under reference here, see vol. III, Part 1, pp. 1 ff.

for FY 51 and from FY 52 econ appropriations for support Eur def effort.)

3. Two facts in present situation which particularly affect both content and timing negots are:

(a) existence Ital proposals for increased def appropriations and for econ control measures;
(b) US need for reasonably clear commitments from Ital Govt prior to Mar 1, which will be convincing to us and to Congress in seeking and obtaining appropriations for FY 51/52.

Adequacy of Program

4. Clearly evaluation of adequacy is continuous and dynamic process as tasks are clarified and performance assessed. As generalization, adequacy can be measured in terms timely fulfillment assignments under MTDP. Such assignments have not yet been completely determined either for forces or for production. Time phasing for completion has not been fully determined and in any event is subj adjustment. In circumstances, clear can neither endorse present and proposed Ital mil program as fully adequate nor precisely define what fully adequate program wld be.

5. We cld, however, subj the Ital program to certain criteria which relate to adequacy:

(a) does program provide for raising and/or maintenance those forces which Ital shld have under present assignments and phasing of MTDP?
(b) does program provide for substantive improvement these forces?
(c) does program provide for production in Ital of equipment required by those forces to maximum extent compatible with Ital capabilities and resources? (While clearly US aid will provide substantial part of equipment requirements, increasingly important Itals recognize their primary responsibility for equipping their own forces and that US end item programs cannot and will not provide equipment which can and ought to be produced by Itals. For purposes of US evaluation only, we think a pragmatic approach to problem wld be for MAAG, taking into account current and recommended end item programs and proposed Ital production program as it is developed and refined, to identify important equipment deficiencies for forces referred to in (a) which Itals cld produce. Using Ital costing data, expression these deficiencies in financial terms cld be used to define roughly and incompletely short fall in Ital production outlays);
(d) does program, taking into account both polit and econ considerations, represent maximum obtainable level and speed of expenditure and real effort of which Ital is capable? (For this judgment neither we nor Itals shld regard present incomplete MTDP phasing as representing fastest pace that is desirable. Also note that 250

billion program now defined as 18-month effort (Rome 3061 [6]) was originally described by Pella as capable of implementation in 12–15 months (Toeca 1371 [7]) and that Blue Book revision recommended Toeca 59 [8] also assumes completion by end calendar '51. Obviously caution must be exercised in this connection bearing in mind present status Peace Treaty limitations. FYI we do not want Blue Book figures regarded as ceiling or maxima.)

6. Clearly answer to 5(d) is one that can be given only in terms of existing polit climate. Have been encouraged by evidences growing popular understanding in both govt and non-govt circles reflected various recent report (Rome 3057 [9]). We wld expect that as confidence is gained and strength of NATO increases it wld be possible achieve both increase in and acceleration of expenditure and effort. What is immed required is judgment of Ital program under 5(d) related to the present time. In other words, can we, in your opinion, obtain now or in the next 60 days, realistically expect obtain a higher level and rate of expenditure (or commitment thereto) than is envisaged in current Ital proposals? If we cannot, Ital program still must be assessed in light of 5(a) and (b) and production portion evaluated as is currently being done (Embtel 3061, Jan 16). If it is determined that a greater amount can be secured, such funds wld presumably be applied to either forces or production as examination of program's adequacy might indicate most desirable. We also desire your best judgment as to what wld constitute adequate Ital def effort for next 18 months.

7. Pertinent to foregoing, our view is that we do not want the quest for a fully adequate effort to delay taking of steps which are clearly directed toward that goal. On other hand, we do not want by aiding an inadequate program, to imply it is adequate or that it shld be regarded as anything more than step in right direction which must be followed by succeeding steps as goal is more clearly defined or capability increases. Particularly we do not wish in any way to slow up fastest initiation and implementation of 250 billion def program. Tarchiani has announced here Ital firm intention to go ahead with this program without awaiting conclusion of negots. Has any similar public statement been made Rome?

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[6] Telegram 3061 informed the Department of State of conversations with Italian defense officials who explained the tentative breakdown of Italy's military production and procurement program for the next 18 months. (765.5 MAP/1-1651)

[7] Not found in Department of State files.

[8] Not printed.

[9] Telegram 3057 reported that the CISL was urging the government to approve of emergency measures for the rearmament of Italy, recommendations which in certain respects were "ahead of those of [the] government". (765.00/1-1651)

Economic and Financial Control Measures

8. While, as previously indicated, basic US objective is to get maximum Ital contribution to achieve goals of MTDP and securing this objective is basis for and condition of US assistance, it is view here that merely making appropriations does not constitute assurance that program will in fact be undertaken and successfully executed. Ital action reported in Embtels 2938 [10] and 2989 [11] indicates they realize that realization of plans will require variety concomitant econ and fin control measures.

These measures may be generally grouped in two categories:

(a) Those measures of [*or*] controls which we believe Ital Govt wld agree are essential to execution of production program and which will ensure defense producers of command over all necessary resources, both physical and financial;
(b) Those measures or controls which are necessary to maintenance within Ital of a politically tolerable standard of living; to assure an equitable distribution within Ital of burdens of def effort; and to assure maximum application of Ital resources to def effort, i.e., to reduce the requirement on the US for aid.

9. We regard measures falling within category 8(a) as integral parts of an adequate def program. Evidence their inclusion in govts defense program and of creation of adequate administrative machinery implement them, as well as a general undertaking or assurance with respect such measures wld be regarded as an integral part of conditions on which an agreement to provide US assistance wld have to be predicated. Such evidence might take form of an irrevocable and clear commitment by Ital Govt in a clear statement before Parliament on significance emergency powers requested, together with initiation admin machinery necessary make such powers effective.

10. Measures falling within category 8(b) are similarly related in our mind to successful realization our common objectives with Ital. It is essential that there be a sound econ and polit base if true defensive strength is to be achieved and maintained. It is also essential US aid supplement and not supplant Ital effort.

11. We realize it is unrealistic suppose that either we or Ital Govt cld postulate and define with finality or assurance measures which wld guarantee ideal result over next 18 months. Also appreciate that even though such a detailed blueprint existed, no govt cld be expected to be able secure its adoption and execution overnight or perfectly. Do not wish increase Ital reliance on US as a substitute

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[10] Document 242.

[11] Telegram 2989 reported that the Italian Government approved of a provisional measure whereby a census of existing stocks of certain critical raw materials would be taken. (865.00/1-1151)

for Ital initiative, nor to place ourselves in position dictating to Ital Govt ways in which it shld execute its responsibilities. Nevertheless, believe neither Ital nor US can attain their common purpose if Ital Govt does not exert itself to maximum practicable extent to do at once those things which clearly must and can be done in way of econ and fin control measures, and continuously thereafter to adopt such further measures as situation may require. The Ital Govt may also be more disposed and be in stronger position take such action prior to our making precise commitments with regard to aid.

12. In other words we desire obtain prior to committing ourselves to aid, assurances, both to Ital public and ourselves, that Ital Govt has undertaken or agreed undertake all practicable measures required assure realization plans and objectives. We realize of course we cannot expect all such measures to be taken before conclusions reached on size Ital program and US aid. Extent and nature measures, as well as scope and form of assurances with respect thereto involve reaching judgments based upon estimates of polit feasibility as tested by actual negots.

13. FYI and consideration, current Wash thinking as to what Itals might find it necessary to do to accomplish in terms objectives indicated in paras 14, 15, and 16. These are illustrative and tentative views.

14. To meet objectives referred to in 8. Wld appear inevitable that:

(a) Fiscal and fin policies be adjusted and geared to attain objectives of adequate def;

(b) Concrete program for entire economy as well as for mil production be outlined and continually refined so that specific individual measures may be related to overriding natl aims;

(c) Planning be realistic (having in mind in contrast to "planning" as embodied in original Long Term OEEC program in which sets of mutually inconsistent goals lumped together without means of implementation).

15. Means available to Ital Govt appear to fall within three major fields:

(a) control of distribution of essential raw materials;

(b) credit and financial measures;

(c) effective utilization and control of state and state-owned industries.

Measures in these fields might include, *inter alia*, the fol (these are tentative views):

With respect to (a):

(1) Estab priority ratings for use critical materials actually or potentially in short supply, eliminating such sectors as luxury housing, cinemas, restaurants.

(2) Taking over distribution and allocation of some or all of these materials (especially imported raw materials), if it appears that adequate control can better be estab by direct govt operation than by attempted policing activities.

(3) Setting of ceilings on permitted stocks of these materials held in private hands.

(4) Consideration of undertaking utility, clothing and basic food rationing programs, together with price controls of such items, as possible means of protecting low income consumption standards.

With respect to (b):

(1) Estab of qualitative, as well as quantitative, credit control measures on basis of series effective priority ratings related to those used for material allocations. Maintenance of an effective organ for outlining and requiring bank compliance with such sector criteria.

(2) Making govt credit resources available in adequate quantity to defense production and related priority sectors in order to insure that these activities, perhaps less attractive from banking viewpoint, are not impeded by exorbitant bank interest rates. Low cost credit may be particularly important if govt contracts, because budgetary residue system, involve long waiting period before actual payments recd, with consequent increase in interim financing needs.

(3) Speediest possible implementation new income-tax law, and effective collection of taxes. (There must be greater assumption of burden by middle and upper-income groups.)

(4) Exploring possibility of forced savings as alternative or complement to higher taxes.

With respect to (c):

It will be necessary obtain overall improvement in planning techniques and admin machinery of state enterprises. Major share of Ital idle capacity suitable for defense production is concentrated in these industries; there are also sectors where govt has most immed available means of obtaining swift and concrete action. Therefore, recent tendency towards liquidation govt's role in these plants shld be changed into drive towards reactivation, coordination, expansion.

16. Specific action program ought to be formulated by Ital Govt. Such program shld include not only sufficiently broad legis powers but also adequate admin machinery implement them. It will probably prove necessary adjust or change present admin machinery or create new *ad hoc* instruments. Defense Production body staffed so as to include non-govt experts and in which industry and labor representatives participate wld seem to be one of the first necessary steps.

17. Based on foregoing and your considered judgment present Ital situation, urgently desire your views with respect extent and nature assurances and evidence which shld be sought now, as well as your views re most practicable use of US elements in Rome, London, or Washington to achieve objective. We envisage negots centering in Rome but supported, if feasible and desirable, in London and Washington, and if necessary by special mission (Depcirtel 388, Section IV).

Measure of Dollar Aid Requirements

18. No meaningful dol aid requirements can be measured except in relation to: (1) specific time period and (2) needs of total economy. Dol aid can not relate solely to "incremental" defense program without reference state of or changes in rest economy. This implication seems to us constitute main drawback use unqualified multiplier approach of Ital memo. Realize that present US legis operationally incompatible with total aid approach, and will later analyze possible interim solutions and future legis outlook. These, however, are purely technical aspects and must not obscure central point that aid must relate to total needs of economy organized for certain level of mil effort rather than to mil production alone. Over and above logical and operational difficulties of segregating "additional aid" from "normal aid" is importance of maintaining principle that neither Ital nor US Govts can accept as normal any econ (or import) pattern which shows no evidence adjustment post-Korea exigencies. (This gen principle must particularly be stressed in country whose ability attain dol B/P equilibrium at tolerable standard of living was questionable before Korea. On one hand, it cannot be affirmed that Italy wld have lacked legitimate case for dol aid even had there been no question of additional defense effort. On other hand, there must be no suggestion that because of this fact Italy can expect receive "normal" aid if it fails take such steps as are necessary in light changed world situation.)

19. Appropriate amt aid for Italy shld cover impact on dol balance of payments generated by needs basic econ operating at level capable supporting necessary defense effort. Noted that Ital Dec 19 memo, in original form, advanced claim for dol aid cover any worsening in total B/P position. Agree completely with Mission's disallowance this claim. We wld of course expect reasonable utilization on part Ital Govt of existing non-dol reserves and credit balances as part adequate defense effort. At same time, we realize that substantial and protracted worsening of total B/P position wld, under present EPU and other payments arrangements, lead Italy into dol settlements, which we wld be prepared consider as legitimate claim.

20. We have already accepted and in fact emphasized fact Ital defense effort will inevitably increase consumption and therefore import demand those sections population previously unemployed or underemployed. So far as this import need is (1) dol and (2) clearly of reemployment character rather than across-the-board consumption increase, we consider it legitimate charge on defense program and claim for aid. However, US acceptance such charge must be accompanied by appropriate and effective steps on part of Ital Govt control rise in import demand generated by unjustifiable increase in consumption on part other sectors of population.

Techniques of Extending Aid

21. FYI we are outlining methods extending aid immed available US Govt with respect funds presently appropriated under ECA and MDAP Act. Reiterate, however, we consider various alternative methods purely as techniques; their differences must not be allowed obscure previously indicated necessity for considering aid requirement as totality. Also wish emphasize two related points: (a) we must not delude ourselves or Itals into believing that increase in actual physical supplies over legitimate requirements levels—or indeed over levels set by world supply position—will automatically flow from increase in dol aid estimate. (b) Secondly, specifically, in Italy and at this stage Ital reserve position, we cannot assume or imply additional dols which cannot be translated into legitimate commodity needs are justifiable. Such dols wld simply go towards increase Ital reserve level. Quite apart from dubious anti-inflationary effect in any country of such increase, this tendency cld be particularly questionable in Italy as evincing continued existence of what might be called "reserve" as opposed to "real resources" approach fiscal policy. Feel it important establish these points to prevent any possible confusion over purpose or effect such techniques as off-shore procurement in Italy or "liberalized AMP" procedure. In line with this approach, present thinking in executive branch is directed towards legis for next FY under which there wld be no administrative distinction between ECA and mil funds.

22. Fol four techniques for extending dol aid either from MDAP or ECA appropriation available for current FY:

(a) *Present AMP project procedure.* Forthcoming response Rome 2966 [12] will deal in detail with suggested res of difficulties that have arisen in Italy over use this method.

(b) *Somewhat more liberalized AMP procedure.* This might develop along fol lines: ItalGov wld submit on Form 202 request for im-

[12]Telegram 2966 requested that the Department of State inform the Embassy whether or not procedures had changed or were being relaxed for securing support for AMP projects. (765.5-MAP/1-1051)

ports, requiring payment in dols, of materials of type also being consumed in production mil end-use. For example, if certain tonnage of cotton will be consumed in Italy for uniforms production for balance of current FY, ItalGov cld submit on Form 202 request for MDAP fin this quantity imports of US cotton, regardless of whether particular cotton imports financed with MDAP funds were or were not used for uniform production. This procedure might also be conveniently applied nonferrous metals. Possible advantage this method wld be purely in US administrative flexibility, since procedure wld free ECA funds *pro tanto* for fin additional dol imports if such freeing considered desirable or necessary. Procedure cannot be considered as waiving of requirement that request must be for legitimate dol import requirements under criteria spelled out above.

(c) *Offshore procurement using MDAP funds.* It is legally possible to use MDAP funds for offshore purchases in third areas of imports requiring payments in dols, provided these imports are used directly and specifically in Ital defense production. It is also possible to use MDAP offshore procurement dols purchase defense items in Italy for account either other NATO countries or even ItalGov, thus providing ItalGov with dols. Such dols might or might not be made subj programming requirement similar to ECA dols or liberalized AMP procedure outlined para (b) above. On whole, feeling here is that these off-shore procurement techniques are neither desirable, practical, nor expeditious method of extending dol aid and shld therefore not be used unless combination of other methods proves inadequate to extend amt of dol aid which we wish make available.

(d) Final method is increase in ECA allotment in order extend amt of dol aid determined necessary and justified. These funds wld of course be administered under ECA procedures and screened according to criteria paras 18, 19, and 20.

23. In gen, our feeling is that combination of (a), (d), and possibly (b) above will prove most expeditious and simple method extending aid during FY. Your views and suggestions desired.

Action Required:

24. You are accordingly requested negotiate with Ital Govt with view obtaining commitment to level of mil effort for current and next fiscal year which is adequate in terms criteria indicated paras 4 and 5. If in your judgment 250 billion expenditures program in 12 months period is maximum obtainable commitment during next 60 days (para 6) you are authd advise and negotiate with Itals on this basis:

(a) We regard program as less than adequate in terms fulfillment MTDP and wld expect Itals make adjustments in level and rate of effort as needs of MTDP are more clearly defined.

(b) We are gratified by Ital initiation budgetary outlays and control measures as indicative their realization magnitude problem.

(c) Itals may be informed that varying with scale of Ital mil expenditures in 1950/51 and 1951/52, we are prepared consider US aid (from both ECA and MDAP funds for FY 1951 and from new appropriation for FY 1952) within ranges of $80–$100 million for 50/51 (over and above last ECA allotment) and $150–$275 million for 51/52, to support of adequate effort measured in terms criteria indicated paras 18 and 19 above, provided we can be satisfied:

1. Program is militarily sound in composition;
2. An adequate program of control measures is being undertaken;
3. Need for greater effort will be continuously reviewed. [13]

25. Meantime ur views questions raised paras 6, 7, 17, and 23 urgently desired.

ACHESON

[13] Telegram 3150 to Rome, January 24, informed the Embassy that the following sentence should be inserted at this point in the source text: "As to exact amount such dol aid, for balance 50/51 and for 51/52, we await your recommendation after full review adequacy mil effort and problem adequate internal economic policies and measures." (765.5–MAP/1-2451)

No. 247

765.5/1-2551 Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET ROME, January 25, 1951—1 p.m.

3208. We requested this morning high official of Ministry Interior to give us his opinion as to why CP here had revealed itself to be so weak on occasion of Eisenhower visit, especially since it unquestionably was in interest of Kremlin to endeavor to discourage American interest in Italy as an ally by manifesting CP strength.

He replied that Eisenhower visit is latest symptom of CP's incapacity to arouse mass interest in its political maneuvers and that it should be clearly understood that if it had been able to arouse wide popular support there undoubtedly would have been serious disturbances fomented by hardened militants. He continued to effect that in absence of mass support here and in face of powerful police force Italian CP leadership appreciated futility of expending their cadres at present international juncture.

He repeated his opinion that unless Red Army invades Italy Communists are and will continue to be unable to create serious largescale strikes and disorders and that Italian workers are show-

[1] Repeated to Moscow, Paris, Frankfurt, and Berlin.

ing increasingly that they will act on local level for purely economic motives but will not respond to political causes with which they may sympathize but for which they will not undergo sacrifices and suffering. He explained that most recent evidence of this phenomenon is reflected in figures on CGIL strength which indicate that whereas membership last year was probably somewhat over 3 million persons, at present is slightly over 1,500,000.

He also told us that Longo and Secchia (Embtel 3188, January 23 repeated Moscow 85, Paris 52, Frankfort 239, Berlin 53 [2]) state that Togliatti's health now good and that he will return to Italy prior to CP Congress scheduled for end of next month.

With respect to why CP here is failing to act as strongly as would be expected of such a large and powerful movement, we are inclined to agree with official under reference. We cannot believe that Kremlin has not ordered CP here to create serious disorder wherever expedient to do so—avoiding however to be driven underground—and we are accordingly inclined to consider that most reasonable explanation of their failure to satisfy Moscow's wishes may be found in absence of revolutionary ferment among working classes under cover of which Communist agitators and sabotage groups could foment mass action and render maintenance of public order extremely difficult if not impossible.

DUNN

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[2] Telegram 3118 summarized an interview printed in Italy's Communist Party organ, *L'Unita*, with Luigi Longo and Pietro Secchia, Vice Secretaries of the Italian Communist Party. (765.00/1–2351)

No. 248

740.5 MAP/2-151: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET ROME, February 1, 1951—10 p.m.

3320. This is joint Embassy-ECA-MAAG message. Following are our views on questions raised paragraphs 6, 7, 17 and 23 Deptel 3143, January 23, repeated London, Paris, Heidelberg unnumbered. [2]

Paragraphs 5 and 6:

1. We believe present 250 billion lire ($400 million) program for calendar year 1951 is maximum Italians can be persuaded attempt at present time and therefore negotiations should be conducted on that basis. While we realize much more must be done to meet Italian requirements under MTDP (see Embtel 3241, January 27, repeated London 371, Paris 456 [3]), first year program is close to maximum desirable economic burden (see Toeca 59 and ECA despatch D-104 [4]) and maximum technical rate of implementation. We also believe it psychologically most important get Italians under way on program to which they have committed themselves and toward implementation of which they now devoting serious effort at highest levels. Once program under way and administrative machinery, theirs and ours, established for handling program, both sides will be in better position arrange necessary increases for future years.

2. Regarding military adequacy (paragraph 5 reftel), in accepting amount proposed Italian defense effort MAAG must and will seek refinements and adjustments within that program, insisting upon greater emphasis and priority of action on items most urgently needed and for which facilities exist for most rapid production as well as some readjustment of program to effect better integration between it and end item program.

Paragraph 7:

3. Know of no public statement made in Rome similar to Tarchiani's announcement in Washington that Italy had firm intention proceed with program without awaiting conclusion of negotiations. As reported Embtel 2938, January 29 [9], repeated London

[1] Repeated to London for EDECC and Spofford, Paris for OSR, and Heidelberg for Handy.

[2] Document 246.

[3] Telegram 3241 provided the Department of State with preliminary costing estimates for Italy's MTDP requirements. (765.5-MAP/1-2651)

[4] Neither printed.

326, Paris 395, [5] Defense Minister Pacciardi and Treasury Minister Pella have both advised us on official level that Italy intends proceed without awaiting conclusion negotiations and Prime Minister reported to have made same statement to Council Ministers. Italians advised Eisenhower to same effect. Believe failure make such public announcement here due desire officials concerned avoid as much as possible opposition to their efforts obtain parliamentary approval 250 billion lire and adequate control measures.

Significant fact to our minds is that while heretofore Italians have always delayed taking concrete steps pending official commitment US aid, this time they have not even awaited official commencement negotiations before introducing enabling legislation in Parliament. Such legislation has already been approved by Chamber Defense Committee.

Paragraph 17:

4. Believe approach on assurances should be to obtain agreement on criteria to be used on determining periodic release US aid. Memorandum on this subject agreed by government preferable to public statement of intention or awaiting further parliamentary action. Bills already before Parliament give government power carry out all measures we would ask. Important question is therefore way in which government intends use powers.

5. Following are criteria we propose suggest to government as basis for receiving aid:

A. Rate of implementation:

(1) Implementation rate measured by (a) military contracts actually let and (b) approved rate of dollar imports.

(2) Satisfactory opportunity for US officials inspect progress being made.

B. Composition of program:

(1) Conformity military items to MTP, as mutually agreed between Mission and Italian military.

(2) Conformity production program to strategic and securing requirements.

(3) Economic efficiency production program in terms use of Italian, European and US resources.

(4) Satisfactory progress in certain urgently needed substantive and infra-structure improvements.

C. Efficient use Italian resources (see ECA despatch D-108 [6]).

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[5] Document 242.

[6] Not found in Department of State files.

(1) Increased production and control end uses of materials in short supply.

(2) Making credit available to high priority sectors and restricting credit for non-essential uses.

(3) Reorganization and more efficient use state enterprises vital to defense program.

(4) Agreement on level above which gold and dollar reserves should not rise, such as that of June 1950.

6. Agree necessity obtain early evidence intention incur additional expenditures beyond calendar 1951, particularly for balance fiscal 1952. We assume such evidence would be in terms intention to spend at least at calendar 1951 rate if not higher.

7. We believe negotiations can be centered in Rome leaving question open whether assistance may later be required in Washington or on regional level in London and/or Paris, although additional pressures from these quarters always helpful. Our past experience in dealing with Italians leads us observe that best results can be obtained when they realize negotiations are to be in one place and with one group of officials. If they have any idea they can shop in other markets they will certainly try to take advantage of possibility of appealing for better terms.

Paragraph 23:

8. We feel that (d) plus either (a) or (b) will prove most expeditious and simple method extending aid during current fiscal year, but would prefer more emphasis on (b) rather than (a). Past history strict AMP procedure not such as give Italians any confidence its efficacy. Furthermore, in determination materials requirements and attendant financing necessary look at over-all program rather than multiplicity small unrelated projects. If anything to be accomplished under present AMP project, we feel that, in interest getting something done quickly, there must be (a) prompt handling such projects (in consolidated form—Deptel 3173, January 25 and London's 263, January 23 [7]) and (b) granting of aid on more liberal interpretation existing laws and procedure to get things moving, (c) may also be useful in stimulating production specific items.

9. We hope initiate negotiations to discuss memorandum mentioned paragraph 4 early next week. [8]

DUNN

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[7] Neither printed.

[8] For text of the memorandum, see *infra*.

No. 249

765.5-MAP/2-251

Memorandum by the ECA Mission in Italy to the Italian Government [1]

SECRET

ROME, February 5, 1951.

MEMORANDUM

INTRODUCTION

Since the Italian Government has evidenced its intention to undertake an increased program of military expenditure in accordance with its commitments under the North Atlantic Treaty, the United States Government is prepared to grant further aid to offset the increased demands on Italy's gold and dollar resources which this program will make. From discussions with the Italian Government we understand that it is its intention to spend an amount of 250 billion lire above the normal military budget by the end of the calendar year 1951.

The United States Government is prepared to allocate funds from both the Economic Cooperation Administration and Military Defense Assistance Program appropriations up to a total of $100 million in the fiscal year ending June 30, 1951 for release to Italy in case they are required. This will include all remaining allotments to Italy under the Economic Cooperation Administration Program for the current fiscal year. The United States Government intends to consider together and as a unit all financial assistance to be given to Italy under both the Mutual Defense Assistance Act (with the exception of the Training and End Item Programs) and assistance under the Economic Cooperation Act.

For the United States fiscal year 1951–52, no commitment of funds can be made at the present time, but the United States Government is now preparing to ask Congress to appropriate funds making it possible to continue the support of the Italian defense effort in amounts ranging from 150 to 275 million dollars. We contemplate that these funds will be made available in accordance with criteria similar to those suggested below for the present fiscal year. The United States Government expects the Italian Government to recognize that its commitments under the North Atlantic Treaty will require an additional expenditure of the same amount

[1] Transmitted to the Department of State as an enclosure to despatch 2263 from Rome, February 2. According to the despatch, this memorandum would be given to the Italian Government early in the week of February 4, as a response to telegram 3143 to Rome, January 23 (Document 246).

or more in the calendar year 1952 and subsequent years until Italy's deficiencies under the Medium Term Plan have been met.

This aid will be made available to the Italian Government upon evidence of execution of a military program consistent with Italy's military assignment by the North Atlantic Treaty Organization, upon the execution of an import program to make possible this military and other essential production, and upon evidence that effective use is being made of Italy's own resources.

Since funds can only be released to the Italian Government upon evidence of actual need, we suggest that the following criteria be agreed by both governments as the basis on which aid will be made available.

I. EXECUTION OF AN AGREED MILITARY PROGRAM

1. The actual letting of contracts, production of military goods, and making of substantive improvements in the armed forces will be taken as evidence of the rate of carrying out of the program.

2. Aid will be granted only against those military expenditures which conform to the Medium Term Plan, and subject to such inspection and review as may be required by the United States element.

a. Advice as to the military suitability of the program for the purposes of United States aid will be given by the United States Military Assistance Advisory Group in the absence of formal action by the North Atlantic Treaty Organization.

b. The suitability for production in Italy will be determined upon submission of programs and projects for sectors and subsectors of military production, taking into account the efficiency of use of both Italian resources and United States aid for this type of production.

II. THE EFFICIENT USE OF ITALIAN AND UNITED STATES RESOURCES

United States aid under either the Economic Cooperation Administration or Mutual Defense Assistance Programs takes the form of authorization to purchase specified goods and services from dollar markets. Under present conditions when the use of scarce materials is being controlled in the United States and in many of the North Atlantic Treaty countries, such authorization can only be given upon evidence that Italy is doing its utmost to increase production and control non-essential consumption of such goods. Since many of the goods required by Italy will be under allocation in the United States, a priority must be established in order to obtain an allocation for export of such goods. (In accordance with established principles for ECA and MDAP assistance, goods available from non-dollar sources will not be eligible for dollar financing except as

they may necessitate a net payment of gold to the European Payments Union after utilization of non-dollar means of financing.)

Evidence of the efficient use of Italian resources for the European defense effort should include the following:

1. Allocation of funds and taking legislative and other measures to increase the production of materials in short supply in Italy or the North Atlantic Treaty countries, such as sulphur, lead, zinc, cadmium, antimony, mica, mercury, etc., and such auxiliary materials as natural gas and electric power.
2. The adoption of an allocation system for materials in short supply based on a program for the limitation of non-essential uses of such materials.
3. Measures to channel investment funds into sectors having the highest priority in supporting the defense effort and producing essential consumer goods, and also measures to limit the credit available for non-essential investment.
4. Efficient use of the enterprises under state control in supporting the defense effort through specialization of output and coordination of production.
5. Undertaking measures to control inflationary pressure, including the import and production of goods consumed by the low-income groups.
6. The existence of gold and dollar reserves above the level existing on June 30, 1950 (taking into account any reimbursement due the Italian Government against United States aid) will be taken as evidence that maximum effective use is not being made of Italian resources. Similarly, any undue increase in stocks of basic commodities will not be considered as justifiable use of aid funds.

No. 250

765.00/2-551: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

CONFIDENTIAL ROME, February 5, 1951—8 p.m.

3378. Department pass Moscow, VOANY. Probably as result of having been put on defensive by resignations of Cucchi and Magnani [2] (Embtel 3339, February 2 to Department repeated Moscow 95, Paris 471 [3]) and in CP eagerness to convince Italians that they

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[1] Repeated to Moscow and Paris.

[2] According to telegram 3265 from Rome, January 29, two Communist Party Deputies, Aldo Cucchi and Valdo Magnani, resigned from the Party. In Ambassador Dunn's opinion, the "fact that these militants were two most important CP leaders at Bologna as well as in Emilia Provinces . . . gives some measure of importance of their decision to take initiative and break with Moscow prior to their expulsion." (765.001/1-2951)

[3] Telegram 3339 described the reaction of the Communist press in Italy to the "defections" of Cucchi and Magnani. (765.001/2-251)

should not fear aggression on part of Soviet Union, we note that no less militant than Secchia stated in speech at Novara yesterday that "military power of Soviet Union is inferior to that of Atlantic bloc". This statement according to fellow-travelling *Paese* was made by Secchia in response to Christian Democrat propaganda to effect that Italy has right to arm itself against overwhelming military might of Soviet Union.

We also note in this connection that Italian CP leaders include Secchia on this occasion feel increasingly obliged to resort to following argument: "We say that if Soviet Union had intention to commit aggression it would not wait until Atlantic army is organized".

We are at loss to understand how veteran like Secchia lost self-control to extent of saying that military strength of Atlantic nations is stronger than that of "Socialist fatherland" and are inclined to believe that editors of *Paese* did not catch this slip-up. No edition of *Unita* appeared today and accordingly it will be interesting to perceive how it treats this statement tomorrow. We suggest that VOA exploit this statement as example of extent to which Communists feel obliged to defend "peace-loving" Soviet Union.

DUNN

No. 251

740.5-MAP/2-151: Telegram

The Secretary of State to the Embassy in Italy [1]

SECRET WASHINGTON, February 13, 1951—10 p.m.

3553. Tomap. Fol is joint State-ECA message.

1. Despite Mission's belief that 250 billion lire program is maximum Itals can be persuaded attempt at present time (Embtel 3320 [2]), we are reluctant to restrict scope negots to this program. Such approach wld leave us without clear commitment or understanding Ital intentions last half fiscal '52 on which to base our requests for next year's aid. We are also doubtful, view past experience normal shortfall actual expenditures below obligations, whether "programming" only for 250 billion cld possibly produce actual rate of expenditure of or close to this magnitude. Finally we are concerned lest Ital unreadiness at this time to increase size of def effort and to extend time beyond original Dec 19 memo [3] proposals

[1] Drafted by Bell and Cleveland of ECA and cleared in substance with Peterson and Whitman of EUR. Sent by pouch to Paris, London, and Heidelberg.

[2] Document 248.

[3] Not further identified.

will weaken likelihood of govt's adopting adequate measures to make possible the implementation of larger programs in succeeding year.

2. Therefore determined effort shld be made to persuade Itals increase size present program and make firm commitments for enlargement program after calendar 1951. In order for Itals to achieve expenditure of $840 million during calendar 1951 wld probably have to reach monthly rate about $90 million in Dec 1951 which rate if continued wld give desirable higher 1952 expenditures commensurate Blue Book estimates FY 1953. Without firm Ital agreement to continue program along above lines it wld not be possible use higher end of range of figures suggested para 24, Deptel 3143. [4]

3. Reftel implies that Ital Govt apparently unwilling make clear to public and Parliament magnitude present effort. We do not understand Ital Govt or Mission's belief (para 3 reftel) that Parliament and/or public more likely accept necessary controls and budget impact if purpose these steps not made clear to them.

4. Re memorandum on criteria para 5 reftel, not clear whether Mission regards assurances concerning these points as condition precedent to agreement with Ital Govt on aid and mil program or whether criteria simply constitute basis against which release of aid will in future be determined. Because of great difficulties involved in aid reduction once figure, however tentative, has been agreed and in order to maximize results these negots, believe, as indicated para 9 Deptel 3143, assurances at least certain major measures must be condition precedent to final agreement.

5. Re specific points outlined para 4; reftel:

(a) Believe some treatment fiscal and financial measures shld be included under C, "efficient use Ital resources" D–108 not yet received; but note from d–104(1) that ability to control upper-income consumption and increase rate of saving and/or revenue collection crucial to achievement forecast goals and (2) that greater uncertainty attaches this assumption than other parts projection. (Concerned to read in ECA Daily Press Survey of Feb 2 press report of Pella statement that "Govt will not take advantage of delegation of powers by imposing fiscal measures". Is this report accurate?).

(b) Wld also stress particularly importance of reference adequate administrative machinery (re para 16 Deptel 3143).

(c) Believe measure rate of implementation (para 5–A–1) shld be tot rather than dol imports, to avoid any possibility discouraging maximization non-dol sources. Rate of dol imports wld fol naturally from maintenance agreed reserve level and normal screening techniques. In this connection, what are reasons for adopting June '50 gold and dol reserve level, rather than June '49 level agreed at

[4] Document 246.

time April review? Latest figures received here indicate reserve rise of about $25 million during FY 50 and further increase of approximately same magnitude during current FY.

6. Agree completely para 7 reftel that negots center Rome but suggest care to avoid Ital interpretation of preliminary discussions as finalized US position. We continue receive reports from Rome that US has "answered" Ital memo without reference to broader scope of bilateral approach. Appreciate difficulty Ital press leakages, but trust this does not reflect current Ital Govt thinking.

7. Will consider carefully suggestions para 8 and agree with ur evaluation difficulties AMP project procedure but reiterate (re Point (c) ref para) that liberalized AMP procedure cannot be considered as waiving of requirement request must be legitimate dol import requirements under agreed criteria.

8. Mission's views urgently requested general problem outlined paras 1–3 and more specific points paras 4–5.

ACHESON

No. 252

765.00/2-1551: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET ROME, February 15, 1951—9 p.m.

3569. Although at request of Foreign Office Perkins [2] had arranged call on Sforza (your telegram 3572, February 14 [3]) latter did not return Rome this morning and Perkins made courtesy calls on Brusasca and Zoppi. Perkins told them his conversations in Bel-

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[1] Repeated to Paris, London, and Frankfurt for McCloy.

[2] Assistant Secretary of State for European Affairs George W. Perkins visited Rome during a tour of several major European capitals following his attendance at the Ambassadorial conferences in Paris and Frankfurt. Perkins served as chairman of the conference of Eastern European Chiefs of Mission in Paris, January 30–February 2, and then chaired the conference of Ambassadors of Western European countries held in Frankfurt, February 5–7. Ambassador Dunn did not attend the conference of Western European Ambassadors and Italy was not discussed during the proceedings. For documentation on the meeting of the Western European Ambassadors in Frankfurt, see Documents 74 ff.; regarding the meeting of the Chiefs of Mission of the Eastern European countries, see Document 610.

[3] Telegram 3572 requested that Perkins hold an informal discussion with Sforza or Zoppi during his visit to Rome in order to satisfy the desire of the Italian Government to discuss U.S. policy toward Yugoslavia. (665.68/2-1451)

grade had been of very general nature [4] and question of Trieste [5] had not been raised in any way.

Zoppi said Yugoslavia had been discussed with French at Santa Margherita with agreement by both delegations that appropriate aid, particularly economic, should be given but that acceptance of military would be harmful to Tito's position. Agreement also reached on Algerian iron ore making possible conclusion of Schuman Plan treaty. On European army De Gasperi repeated Italian position of agreement in principle provided development of integrated forces under NATO was not held up. Fuller report on Santa Margherita conference will follow. [6]

DUNN

[4] For a summary of Perkins' conversations with Tito, see telegram 1101 from Belgrade, Document 861.

[5] For documentation concerning U.S. policy toward the Free Territory of Trieste, see Documents 84 ff.

[6] For a summary of the Santa Margherita conference, which was held February 12–14, see telegrams 3627 and 3929 from Rome, Documents 254 and 261.

No. 253

765.5-MAP/2-1651: Telegram

The Secretary of State to the Embassy in Italy [1]

SECRET WASHINGTON, February 16, 1951—7 p.m.

3623. Tomap.

1. Fol is joint State-ECA msg.

2. We have just recd Embdes 2263 [2] and feel certain respects which will be apparent Mission and Emb, it not entirely consistent Deptel 3553, [3] particularly para 4 and last sentence, para 2, latter. Note especially phrase "same amt or more".

3. Also concerned lest Itals receive impression they will receive firm commitment econ aid for bal this fiscal year and next year before adequate assurances and evidences have been presented on adequacy Ital program from mil and production viewpoint, in accordance with criteria outlined para 5, Deptel 3143. [4] Appreciate fully difficulty reaching conclusions adequacy Ital mil program because of its present tentative state. Believe, however, important

[1] Drafted by Bell and Cleveland and cleared with Peterson; sent by pouch to London for USDep, Paris, and Heidelberg.

[2] For the text of the memorandum by the ECA Mission in Italy, which was sent to Washington as an enclosure to despatch 2263, see Document 249.

[3] Document 251.

[4] Document 246.

retain US freedom of action on aid until maximum possible assurances re fullest use Ital econ resources and mounting maximum possible def production effort have been obtained.

4. Note para I 2. language ur memo [5] appears contemplate aid for imports only against mil expenditures which obviously inconsistent Deptel 3143 and presumably not intended.

5. Re aid figures, wld appreciate ur recommendation before any final position taken as requested Deptel 3150 to Rome. [6]

ACHESON

[5] The memorandum under reference is the enclosure to despatch 2263 cited in footnote 2 above.

[6] Not printed, but see footnote 14, Document 246.

No. 254

850.33/2-2051: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

CONFIDENTIAL ROME, February 20, 1951—7 p.m.

3627. Statement of results of Santa Margherita conference as sent to me by Sforza in confidence is quoted below. We are also sending by despatch a copy of secret summary of economic discussions. [2] We have also copy of letter on Schuman Plan iron ore agreement which confirms information in Paris' telegram 4884 February 17. [3]

Perhaps best result of conference from our point of view is that no information thus far available indicates any lessening of support by either French or Italians of primacy of NAT objectives over long-range problems of European unification.

Additionally Italian Government has been strengthened as result of conference by appearance being given of pursuit of "independent" foreign policy with promise of French support of Italian views in international forums. This will probably not mean much change in actual practice but psychological effect here has been very favorable.

[1] Repeated to Paris.

[2] Despatch 2460 from Paris, February 21, not printed. (451.6531/2-2151)

[3] Telegram 4884 reported on a Franco-Italian North African iron ore settlement ratified by an exchange of letters between Schuman and Sforza at Santa Margherita. France agreed to issue licenses for iron ore exports from North Africa to Italy effective from the date quantitative restrictions for steel production were abolished by France and Italy under the Schuman Plan, which was expected to be in early 1952. (850.33/2-1751)

"Prime Ministers and Foreign Ministers of Italy and France decided:

"a. To maintain intimate solidarity between them for purpose of thwarting any maneuver aimed to break up Atlantic unity;

"b. To resolve in full agreement problems concerning organization of common defense and common rearmament, which will be continued with maximum energy;

"c. To harmonize economic policy of two countries on raw materials;

"d. Until customs union can be perfected, two governments will constantly seek every occasion to develop their economic cooperation and increase their commercial exchanges;

"e. Ministers also decided that there will be exchanges of information and contacts before any political conference;

"f. Ministers emphasized interest of two countries in Yugoslavia's defense and independence;

"g. French Ministers reaffirmed that their government remains faithful to declaration of March 20, 1948 regarding the Free Territory of Trieste;

"h. While considering that European Army would be one of elements of Atlantic force, ministers agreed to give every priority, in organization of defense, to creation of integrated force."

DUNN

No. 255

765.5-MAP/2-2151: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET ROME, February 21, 1951—9 p.m.

3646. Tomap. This is joint Embassy-ECA-MAAG message. Following report is submitted for information only.

1. Discussions on US aid:

Since presenting memorandum of February 5 (Embtel 3414, February 7, repeated London 390, Paris 482 [2]) we understand subject matter has been discussed in and between various ministries: Foreign Affairs, Defence, Treasury, Commerce, as well as Prime Minister's office. From what we learn privately and from press (which has gotten its information from Italian sources), Italian officials, es-

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[1] Repeated to London for EDECC, Spofford, and JAMAG, and to Paris for OSR and MacArthur.

[2] Telegram 3414 described a meeting between Dunn and various Italian officials during which Dunn expressed the desire of the Department of State that the Italian Government give assurances that Italy would carry out its role under NATO's Medium-Term Defense Plan. (765.5-MAP/2-751)

pecially Treasury and economic segments, have not been able make firm decisions. Undoubtedly enactment legislation authorizing necessary funds and controls are factors in situation.

On February 19 Italians advised us of prime minister's approval continuance in modified form technical committee are Zoppi and Venturini of Foreign Office; Admiral Minotti of Defence; Ferrari-Aggradi (CIR) Magistrati and Malagodi (Italian delegates). In turn, we advised that our group would consist of Jacobs, Dayton, Schwarz, Kopf, Eicholz, Barnett and Colonel Vickers. Magistrati will be secretary of Italian and Barnett of our group.

Italians state that they hope to be ready for first meeting shortly, probably next week. [3]

2. Project statements for segments of new Italian military production program:

Assuming funds will be available Italian Defense has submitted number project statements as segments their new military production program (we are processing 22 ammunition projects as first consolidated project). On basis Italian statements, total cost would be about $46.8 million for which US aid of $12.2 million is requested. Militarywise, this consolidated project is highly desirable as it would provide about 58 percent of critical Italian ammunition requirements and can be gotten underway speedily. We feel, however, that amount of aid requested is excessive and ECA in attempting study question of raw materials on basis of which aid could be granted is finding difficulty in obtaining necessary information. This stems from fact Italian military and economic groups are still stand-offish in their relations with each other and we have not yet succeeded in getting together a joint military-economic Italian group with which ECA can discuss this problem. Every effort is being made to resolve difficulty and we hope substantial progress can be made at first meeting group referred to above.

DUNN

[3] The first meeting between Italian officials and representatives of a joint ECA-Embassy-MAAG committee took place on March 5. These technical discussions concerning Italy's defense program and U.S. military assistance are summarized in telegram 3920 from Rome, March 8. (765.5/3-851)

No. 256

665.001/3-151

Memorandum of Conversation, by Joseph N. Greene of the Office of Western European Affairs

TOP SECRET [WASHINGTON,] March 1, 1951.

Subject: Military Clauses of the Italian Peace Treaty

Participants: Mr. Boyd, First Secretary, British Embassy
Mr. Greene, WE

Mr. Boyd had left with me a Memorandum [1] containing the Foreign Office's informal views on the procedure to be followed with respect to the military limitations of the Italian Peace Treaty. I had indicated that we did not think it timely to pursue the subject at this time and would therefore prefer not to see the Foreign Office views now. Mr. Boyd had indicated that his instructions required him to leave the Memorandum, as the Foreign Office wanted the ball in our court. We had left it that I would get in touch with him.

Mr. Boyd came in today at my request and I asked whether a copy of their Memorandum had gone to the French. Mr. Boyd replied that it had not. I said that we would give the Foreign Office Memorandum our attention in due course, but that the Department's feeling is that, with the beginning of exploratory talks with the Soviets now imminent, it is preferable not to pursue the subject of the Italian Treaty further until the outcome of those exploratory talks becomes clearer. I said that I would let Mr. Boyd know in due course any further views we might have.

Mr. Boyd said that it had been the Foreign Office's intention to continue discussions on the Italian treaty at a working level between the State Department and the Foreign Office, through the British Embassy with the idea of evolving a generally acceptable position which could then be submitted to the British Foreign Secretary and by him to the Cabinet. The question has not gone that high in the British Government, and it is not the Foreign Office's intention to give anything to the French until it has the approval of the Cabinet. [2]

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[1] The memorandum presented the position of the British Foreign Office which was that the only possible course of action was to keep the Italian Peace Treaty theoretically in being and to continue the system of merely not objecting to infringements that were made as long as they were in the interest of NATO. (665.001/2-2751)

[2] In a memorandum of March 1, Bonbright noted that he informed Perkins and Matthews that his office attempted to get the British to hold back and not to present this memorandum to the Department. The British responded that they were

Continued

No. 257

765.5-MAP/3-451

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Under Secretary of State (Webb) [1]

SECRET WASHINGTON, March 4, 1951.

Subject: Visit of the Italian Ambassador scheduled for April 4, 1951 [2]

Discussion:

The Italian defense production program, announced in December 1950, provides for the expenditure of 250 billion lire ($400 million). Contracts against the full amount are to be let within calendar year 1951, although actual payments will lag considerably.

Negotiations are now taking place in Rome as to the amount of U.S. assistance Italy will receive in Fiscal Year 1952, to support this production program and to support the underlying economy.

The Italian Government has been informed that the aid presentation to the United States Congress will include the sum of $275 million for Italy; but that Italy will only receive this full amount if a number of conditions are met, principally that the Italian Government agrees to a continuation of its defense production program at an expanded rate after the end of calendar year 1951.

The proposed aid figure of $275 million has been worked out by ECA on the basis of availability of scarce materials as well as on the basis of the level of essential imports Italy will have to maintain to support an expanded defense production program. ECA and the Department considers that this amount of aid is probably sufficient to preserve Italy's dollar reserves, while her reserves of other currencies will decline. This decline in non-dollar reserves will represent part of Italy's contribution to her own defense.

It is expected that the Italian Ambassador will inform you that for both political and economic reasons the Italian Government cannot now give any public commitment for the continuation of its defense production program after the expiration of calendar year 1951; that the $275 million aid figure for Fiscal Year 1952 is entirely inadequate; and that aid of at least $400–$450 million is required to insure Italy against serious economic difficulties. In this connec-

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under firm instructions to present the paper. Bonbright went on to suggest that the British be informed once again that we did not consider this to be an opportune time to discuss this question. (665.001/3-151)

[1] Drafted by Stanley B. Wolff of WE and cleared with Bell of S/ISA.

[2] For a memorandum of Webb's conversation with Ambassador Tarchiani on April 4, see Document 268.

tion, the Ambassador may indicate that the proposed level of aid would leave Italy's balance of payments with such a large uncovered deficit (almost $200 million, mostly with the dollar area) that her reserves will be drastically reduced, with resultant loss of confidence in the stability of the lira both within Italy and abroad. He may further point out that no commitment whatsoever can be made for the continuation of the defense production program beyond December 31, 1951, unless U.S. aid is forthcoming in the amount indicated above, and unless the Italian Government is allowed to utilize counterpart funds for general budgetary requirements.

Recommendations:

You may wish to indicate to the Italian Ambassador that:

1. You will pass to the appropriate officers of the Department the information given by the Ambassador for the most careful consideration, in consultation with the other agencies concerned;

2. This Government is gratified with the Italian Government's decision to proceed with the letting of contracts for defense production, without waiting for the conclusion of the aid negotiations now in progress in Rome;

3. This Government appreciates the efforts of the Italian Government and the strain that the proposed program, and its continuation in 1952, will put upon the Italian economy. You may wish to indicate, however, that the necessity for rearmament for mutual protection necessarily involves similar sacrifices on the part of all the North Atlantic Treaty partners, and that the U.S. is assuming a tremendous burden in this connection. You may wish to point out in this relation that total U.S. assistance programmed for Fiscal Year 1951 (military end items and economic aid) is greater than the total Italian defense expenditure; and that under present tentative plans for Fiscal Year 1952 the U.S. expenditure to support the Italian defense effort will be approximately equal to Italy's total defense budget.

4. As the Ambassador knows, we intend to include in the Congressional Presentation a figure of $275 million as the support likely to be required for a maximum Italian defense effort. In any event, we expect that foreign aid appropriations will be made, as in the past, not on a rigid country by country basis, but with sufficient flexibility to permit us to relieve, in part at least, strains which may later develop in individual countries. If completely unforeseen developments arise, they presumably would affect also the other NATO partners and would be the occasion for congressional action.

No. 258

Editorial Note

On March 5, Four-Power Exploratory Talks began at Paris in an attempt to agree on an agenda for a possible Foreign Ministers meeting. One of the points of contention concerned the revision of the Treaty of Peace with Italy: would it be discussed at all, and, if so, in what context. For documentation on these talks, see volume III, Part 1, pages 1086 ff.

In preparation for these meetings, a policy review paper was drafted by Joseph N. Greene concerning the Treaty of Peace with Italy. This paper, identified as RPTS D-3/10 of March 3, concerned how the United States could counter Soviet allegations of violations of the Peace Treaty. A copy of the paper is in CFM files, lot M-88, box 157, RPTS series.

No. 259

765.5/3-551

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Perkins)

SECRET [WASHINGTON,] March 5, 1951.

Subject: U.S. Assistance for the Italian Rearmament Program.

Participants: Italian Ambassador
Mr. Perkins, EUR
Mr. Greene, WE

The Ambassador said that he had had a long discussion with Mr. Foster at ECA this morning about the negotiations going on in Rome for U.S. assistance to the Italian rearmament effort. He said that in view of the political importance of the matter in Italy, he wanted also to discuss it with me. He mentioned that the Italian Prime Minister's position is difficult on the eve of a vote in Parliament on the Government's bill appropriating 250 billion lire for the Italian program, because no definite amount of U.S. aid has yet been set. This gives the opposition the opportunity to charge in debate that the Government has been remiss in placing faith in the U.S. and has nothing to show for it while Italy is being asked to rearm. The Ambassador deplored the circumstance that discussions have been going on in Rome for some 3 months and produced little more than talk. The Ambassador alluded to the difficulties Prime

Minister De Gasperi has had in his own Party [1] and commented that the Italian Government has thus far been one of the stablest in Western Europe.

In addition to the political difficulties for the Italian Government, the dangers of the present world situation make it extremely important that the Western nations act while there is still time.

I observed that on our side of this matter, not only in Italy, but in all the Western European countries, we must consider both what we can do, and what our partners are doing, in specific terms. We cannot simply say that if the Italian Government is going to put 250 billion lire into Italy's defense effort, we will put in say, 100 million dollars; we must know what the money is to be spent for, so that we could determine whether or not we could provide assistance and if so, whether or not we should.

GEORGE W. PERKINS

[1] In telegram 3772 from Rome, March 1, Dunn reported that the government suffered its first defeat since April 18, 1948, when an amendment was passed against its will on February 28 in the Chamber. De Gasperi threatened to resign immediately but later changed his mind. (865.00/3–151)

No. 260

765.5/3–851

Memorandum by the Acting Assistant Director of International Security Affairs (Bell) to Norman S. Paul of the Economic Cooperation Administration

SECRET [WASHINGTON,] March 8, 1951.

Subject: U.S. Aid for Italian Rearmament.

We are apparently confronted at this moment with an impasse at the working level regarding the Italian program. It is obviously desirable to break this quickly. This memorandum outlines the issue. I am hopeful you can either obtain ECA acceptance of our view or arrange for a high level meeting where the issue can be pursued.

The single question involved is one of judgment as to effect of U.S. actions on Italian actions; that is, whether we are more likely to get Italian action by giving an aid commitment. In my opinion, this is a *political* judgment.

Your people feel strongly that it is both unnecessary and unwise to give a commitment. The State Department feels that there is a clear record of evidence to the contrary. (I append a copy of perti-

nent factors cited to me.) [1] I am sure there is ample justification for both opinions, at least in the minds of those who hold them.

To my notion this issue is a repetition of several which arose earlier in our Italian series—at least it involves the same problem—*where should the best judgment exist with respect to the effect on Italy of our decision. I thought we solved this by the answer: Rome. Now I gather your people are unwilling to rely on Rome's judgment, at least on this question, because they fear it will differ with the view to which they strongly subscribe.*

After considerable thought I am persuaded that we should and must leave to Rome to decide whether and when it should advance U.S. objectives to give a commitment on U.S. and consequently desire to use alternate paragraph 4 (excepting (b) thereof) in the cable to go to Rome. [2] This seems to me to leave responsibility for a political judgment where it properly belongs.

Our common goal is to get a greater Italian effort. We obviously would like them to do more and with less cost to us. We can go on forever debating what might be or have been. I agree with OSR that it is essential to concentrate on the doing of the present bite. If a commitment to aid will help get that done, I would much rather defend some over-payment of aid above the absolute possible minimum than to have to report no effort had been made because we were too busy debating how much aid we would give if one did take place. I also am impressed with the absurdity of the quibbling over a difference between possible economic aid figures which is a small fraction of the value of military end items being given. If we are going to use U.S. aid for pressure we better realize that the only real effective club is the whole of our aid and not just the economic part.

Will you take this up please, as quickly as possible? We are now pretty strong in our view and I doubt can compromise on this point.

JOHN O. BELL

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[1] Not printed; it was a memorandum by Stanley B. Wolff in which he cited numerous reasons why it would be advisable to cite an aid figure in Department of State negotiations with the Italians.

[2] The reference is presumably to an early draft of telegram 4212 to Rome, Document 265.

No. 261

665.001/3-851: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET ROME, March 8, 1951—5 p.m.

3929. Sforza told me that at Santa Margherita they had asked the French if they would take the initiative in proposing a general revision of the peace treaty. [2] The French replied they would do so, but there was no indication of the timing of the action proposed.

Sforza said he intended to instruct Tarchiani to propose to the State Department a declaration by the US, UK, and French favoring revision of the treaty. He said that there was virtually nothing left of that treaty to [work?] out since all the essential clauses had been executed. He said that we should re-negotiate those parts which were of continuing interest. He said he would suggest that the declaration be in the form of an invitation to the Soviet Government as in the March 20, 1948 statement. [3] The declaration would call for either a revocation or modification of the peace treaty and would also confirm the March 20 statement and ask again that it be implemented.

If the Soviets refused this offer they would be put in position of again refusing to help Italy. Sforza said that if the Italian Government is to obtain more money from Parliament for rearmament, the government would find some favorable step in connection with the treaty extremely helpful. The above arose in connection with my reference to Malvestiti raising the question of the peace treaty in technical discussions over US aid. I said to Sforza that it seemed to me that if the question of the peace treaty were to be raised at all, it should be done on the plans he proposed instead of being injected into technical discussions.

DUNN

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[1] Repeated to London and Paris.

[2] Prime Minister De Gasperi and Foreign Minister Sforza met French Prime Minister Pleven and Foreign Minister Schuman at Santa Margherita February 12–14 for a series of discussions covering the whole range of French-Italian relations and their attitudes toward general European problems. For a summary of these talks, see telegram 3627 from Rome, Document 254.

[3] For the text of the parallel notes issued on March 20, 1948, by the United States, the United Kingdom, and France, which favored the return of the Free Territory of Trieste to Italy, see *Foreign Relations*, 1948, vol. III, p. 517.

No. 262

665.001/3–1051: Telegram

The Acting Secretary of State to the Embassy in Italy [1]

SECRET WASHINGTON, March 10, 1951—1 p.m.

4004. Ital Emb officer called at Dept Mar 9 [2] to leave text ANSA release re satellite rearmament which reported Ital Govt fol closely "also from viewpoint alteration pol and mil equilibrium as forecast when Ital Peace Treaty concluded". Release added "Ital FonOff in touch with other Allied govts on this important question".

Emb Officer said according ltr Zoppi to Tarchiani FonOff wanted Dept to know informally ANSA release accurately reflects background against which Ital FonOff considering question revision Peace Treaty (urtel 3929 Mar 8 [3]). Said discussion US Senate increases domestic political pressure on Ital Govt to do something about Ital Peace Treaty. [4]

Dept officers explained present time not considered appropriate for any action on Treaty, especially pending outcome exploratory talks with Sovs. As stated in ltr to Senator Lodge, questions posed for future by mil clauses Ital Treaty under study in Dept. When outcome Sov talks clear will want to reexamine question in light circumstances at that time. Ital Emb officer indicated agreement no action desirable now and stated Ital Govt wld of course take no action without full prior agreement with West Allies.

FYI Dept has taken same line with Brit Emb.

Dept thoroughly agrees Peace Treaty question shld not be injected into technical discussions of US aid (urtel 3920 Mar 8 [5]) and continues believe less said about Ital Treaty now the better.

WEBB

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[1] Drafted by Greene of WE and approved by Byington; repeated to London and Paris.

[2] A memorandum of this conversation between Byington, Greene, and Sensi, First Secretary of the Italian Embassy, is in file 665.001/3-951.

[3] *Supra.*

[4] On February 25, Senators Thomas Connally and Richard Russell presented a five-part resolution to the Congress concerning the question of European defense. The extended debate over this resolution involved, *inter alia*, the problem of Italy's contribution to the Atlantic Pact and how this contribution was restricted by the provisions of the Treaty of Peace.

[5] Not printed, but see footnote 3, Document 255.

No. 263

665.001/3-2051

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington)

CONFIDENTIAL [WASHINGTON,] March 20, 1951.

Subject: Italian Peace Treaty

Participants: Senator Pastore
Mr. Horace Smith—H
Mr. Homer M. Byington, Jr.—WE

Senator Pastore said that he had talked with Senator Lodge with regard to the Italian Peace Treaty. He said that he himself was of Italian extraction, but that he viewed this subject as an American citizen. He mentioned that some 15 percent of his constituents were of Italian origin and there was the greatest interest all along the Atlantic Coast States in the amendment of the Italian Peace Treaty. His own views were that if we modify the military, air and naval clauses of the Treaty to permit adequate Italian defense we were helping the United States as much as we were helping Italy. He thought that if we waited for Russian agreement nothing would ever be done. He had been told by Senator Lodge that the Department was concerning itself with this matter and intended to do something about it but he wondered whether we did not need some sort of additional impetus, possibly from him. Certainly, he needed information in order to talk to the many leaders of organizations who came to see him in regard to this matter.

I asked the Senator's permission to speak in confidence on this question. I said that there was absolutely no difference as regards the objective. The Department of State was just as anxious to see the Treaty modified to permit an increase in Italian defense possibilities as was he. The question to be resolved was one of method. I pointed out that the Treaty had many signatories and by far the most desirable method would be one in which the British and French agreed with us. I said, for his confidential information, we had reason to believe that preliminary agreement with the British and French would not be an impossibility and that it was our intention to work in that direction. The Italian Government had approached us at a very low level and from everything that we understood here the Italian Government was quite understanding of the need for immediate delay and subsequent caution in handling this problem. I pointed out that during the present talks in Paris with the Russians with regard to the agenda for a meeting of Foreign Ministers, the question was constantly arising of our view that

the Soviets had violated the Peace Treaties with the satellite nations and that undoubtedly this question would come to the fore should there be a meeting of Foreign Ministers. It would hardly seem an appropriate moment to bring up at the same time our intention to change the terms of the Italian Peace Treaty with regard to Italy's rearmament. On the other hand, once present negotiations with the Russians had been resolved or abandoned the violation of the satellite treaties would provide a good basis for proceeding further with the Italian question. I said that the Italian Government understood this, as well as the British and French, and that that was why the Italian Government was not pushing the matter any further than it was forced to because of Italian public opinion. The Senator confirmed this by saying that he had had informal word from the Italian Embassy that they were not anxious for action at this time. (Mr. Sensi had informed me of this action by the Italian Embassy a few days ago.) [1]

I pointed out to the Senator that every time there were speeches made in the Senate on this subject it created an immediate flare-up of public opinion in Italy with a hue and cry against the de Gasperi government asking why it didn't do something about it. The de Gasperi government, of course, wanted to do something about it but certainly appreciated the reasons why nothing could be done at the moment. I said as a result Senate emphasis on the Peace Treaty places the Italian Government in a difficult position and the cause of peace treaty revision is hindered, rather than helped. A little while later at an appropriate time those same speeches in the Senate might be very helpful indeed in bringing the facts home to the American people what we wanted to do. I emphasized that for the present Italy's defense effort was not being limited by the Treaty.

The Senator thanked me for coming to see him and said that he felt the interview had been useful and that he understood the matter more completely than previously. He said that it would be very helpful to him as guidance in talking to leaders of groups who came to see him on this subject.

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[1] A memorandum of this conversation on March 9 is in file 665.001/3-951.

No. 264

765.00/3-2151: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET ROME, March 21, 1951—6 p.m.

4198. Brit Amb [2] today gave me fol account of Anglo-Ital talks in London. [3] As at Santa Margherita discussions opened by talk lasting several hours at which only PriMins and FonMins were present. Mallet said he had little info on this discussion.

Principal results according to Mallet, and this confirmed by Ital FonOff, was improvement in general atmosphere and preparation for more close and friendly relations.

Most important substantive discussion was on Trieste. Brit at first reluctant publicly confirm their continued adherence 1948 declaration on grounds this wld make more difficult solution Trieste problem and improvement Italo-Yugo relations. Itals argued no hope reach agreement with Yugo unless they cld base their initial position on the tripartite declaration. De Gasperi emphasized internal political difficulties caused him by Trieste issue. Sforza revealed that he had arrangements for secret contacts with Tito and was endeavoring to improve relations. He had recently rejected Yugo proposal to raise respective missions to Embassies on ground this shld only be done when it generally reflected the improvement in relations that he was attempting to achieve. When Brit realized Itals wld consider visit a failure without statement on Trieste they agreed to language of communiqué.

There was brief discussion of peace treaty during which Sforza said wld be dangerous revise only military clauses. When asked what other provisions of treaty he had in mind he evaded direct reply and merely indicated his belief that eventually entire peace treaty shld be superseded by another document. In this connection Itals stressed their failure to obtain admission UN but apparently did not press for any commitment on treaty revision.

On Libya Itals inquired whether Brit policy had changed from advocating loose confederation to unitary state. Brit maintained no change Brit policy and that they greatly preferred loose confederation. On Eritrea De Gasperi said was miracle that Itals there were asking nothing more than establishment Ethio-Ital relations and

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[1] Repeated to London, Trieste, and Belgrade.

[2] Sir Victor Mallet.

[3] Prime Minister De Gasperi and Foreign Minister Sforza arrived in London on March 12 for 3 days of talks with Prime Minister Attlee and Foreign Secretary Bevin. For the communiqué issued after these meetings, see Folliot, *Documents on International Affairs, 1951*, p. 89.

asked Brit assistance in achieving this. Brit undertook to do what they could.

On emigration Brit reviewed situation in England and in African colonies making clear that there was no prospect large Ital emigration to Africa.

Council of Europe was discussed at some length. Mallet said discussion boiled down to statement by Sforza that he realized Brit must sometimes say no but felt they could say it more politely.

Itals mentioned desire for membership on ocean shipping executive board but their pressure on this and similar issues was mitigated by their pleasure in learning their inclusion in international materials conference central group.

THOMPSON

No. 265

765.5 MAP/3-2151: Telegram

The Secretary of State to the Embassy in Italy [1]

SECRET WASHINGTON, March 21, 1951—8 p.m.

4212. Tomap. Fol is joint State–ECA–Defense message dealing with further negots with Itals re mil effort and US aid to be read in conjunction with reply to Toeca 245 [2] being sent today via ECA channels, [3] concerning basis being used for Congressional presentation.

1. Our objectives are to bring current negots to a stage which provides (a) best atmosphere and assurance rapid and effective implementation current Ital plans for mil effort and related econ measures; (b) maximum obtainable commitment from Itals regarding mil effort during remainder FY 51 and FY 52; (c) most favorable situation for exertion continuous pressure to obtain more nearly adequate effort from Itals.

2. We recognize delays in reaching agreement on aid figures disappointing to Itals and to extent this is barrier achieving objectives set forth para 5 wld like achieve mutually satisfactory solution as

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[1] Drafted by Bell of S/ISA and cleared with Paul of ECA, Petersen and Wolff of EUR, Van Syckle of Defense, Brown of Treasury, and Schelling of the Executive Office. Sent by pouch to London for USDep, Paris, and Heidelberg.

[2] Telegram Toeca 245 from Rome, March 8, is identical to telegram 3920 from Rome of the same date. For a summary of this telegram, see footnote 3, Document 255.

[3] The reply to telegram Toeca 245 was transmitted in telegram Ecato 317 to Rome, March 21, which summarized the data on Italy's military effort and aid level used for Congressional presentation. (ECA message files, FRC 53A278, Rome)

soon as possible. Recent Ital shift to position that 250 billion program not to be accomplished until June 30, 1952 rather than by end calendar 1951, which contradicts previous Ital assurances is serious impediment to such solution.

3. As indicated in concurrent ECA message US Govt in seeking appropriations for aid to Eur def effort must proceed on assumptions that such effort adequate. Presentation which reflected assumption and acceptance by US of Ital effort of 250 billion additional by end June 30, 1952 wld in our view seriously jeopardize chances favorable Congressional action. Furthermore, we do not regard effort so spread as satisfactory or consistent with Ital capabilities and previous statements.

4. Clearly also awkward envisage reaching agreement with Itals now or prior Congressional action which accepted lower figure for Ital effort than that hypothesized in Congressional presentation and consequently lower aid requirement particularly in view characteristic publicity which seems attend all US-Ital discussions this subject.

5. First objective present discussions shld be, in our view, to get Itals back to previous basis of negots (250 billion program to be completed by end calendar 1951) since change to longer period is one US considers most unsatisfactory. Vacillation between 12 (3 of which already gone) and 18 month period does not provide stable basis which is essential to any calculations of aid. If Ital effort is of the smaller magnitude (implicit in 18 month assumption) US aid wld necessarily have to be sharply curtailed. More important, reduction of Ital effort in this way delays attainment NATO MTDP goals and is not compatible Ital responsibilities as member NATO. Believe US position in negots must be that we can not accept 18 month phasing as basis for proceeding.

6. Assuming Itals can stabilize on execution 250 billion program by end calendar 1951 we wld be prepared commit additional aid for FY 1951 of $80 million bringing total US aid for FY 1951 to $235 million. With respect to FY 1952 we cld then be confronted with Ital effort period Jan–June 1952 of unknown dimensions. Obviously we wld not be willing commit (in so far as we cld commit in view no funds yet appropriated) ourselves to an aid figure for FY 1952 against an indeterminate level of Ital effort. Any expression of intent on our part to seek funds of a particular amount in order to provide them to Ital must be based upon an equally valid commitment by the Ital Govt to a level of effort which wld justify that amount. Our decision to proceed in Congressional presentation as indicated in concurrent ECA message presumes that Ital effort will reach proportions indicated. In event subsequently determine lower Ital effort is maximum Ital can do any difference between amount

obtained in appropriation and lower amount which wld be justified for Ital wld be applied to other aid programs. Itals shld clearly understand that presentation to Congress not commitment and based on hypothesis and conditions herein outlined.

7. At such point in time (bearing in mind considerations set forth para 4 above) as we can obtain commitment from Itals which covers Ital effort for entire FY 52 and thus wld be complementary, we wld be prepared make commitment regarding US aid for FY 52, subject of course to continuing US review of actual Ital performance. Recognize difficulties faced by Ital Govt in present polit atmosphere in making such commitment and wld be willing consider some form of commitment other than Parliamentary action provided it offers adequate and binding assurances effective and timely action. Obviously commitment which corresponded hypothesis used in Congressional presentation most desirable from our point of view. This level of effort seems to us obtainable, not exceeding greatly the so-called "same rate" concept, and we wld hope you cld succeed in getting commitment to it.

8. If, as negotiations progress, you are convinced that a commitment less than our Congressional hypothesis is the maximum that can be obtained and that further negots will worsen the situation, desire ur recommendations as to size and form of that commitment and as to the level of US aid commitment for 1952 which you consider we wld need to make in order attain objectives. With respect level of US aid pls bear in mind Wash thinking as indicated in concurrent ECA message.

9. Any comment or suggestions you may have re foregoing or as to alternative approaches will be welcomed.

10. Assume you will provide ECA sufficient copies this message.

ACHESON

No. 266

765.001/3-2651

Memorandum by the Director of the Office of Western European Affairs (Byington) to the Assistant Secretary of State for European Affairs (Perkins) [1]

SECRET [WASHINGTON,] March 26, 1951.

Subject: Italian Peace Treaty

[1] Drafted by Greene of WE. Attached to the source text was a memorandum by Bonbright to Perkins, March 27, which stated that it was unclear how a secret ap-

Continued

A number of developments lead me to suggest that the political situation on the Italian Peace Treaty problem threatens to outrun us and that accordingly we would do well to reexamine our decision not to go forward with working-level discussions at least with the British.

For example:

1. Congressional interest is mounting. Several resolutions have been introduced in Congress calling on the President to revise or scrap the Peace Treaty. The most recent, and most specific as it affects Italy's military strength, is that introduced by Senator Lodge on March 20. The Department has been called on to comment on this and one of the general resolutions, and has had to respond to queries from members who have been urged by constituents to support the movement to revise the Treaty. We continue to say only that we have under study the political and legal problems confronting the U.S. and other signatories.

2. Hearings on the U.S. aid program will begin shortly. In view of Congressional demands for assurance that European countries are giving their all, and in view of the tendency in some quarters of the Senate to try to tell the President how to conduct foreign relations, it seems inevitable that the Peace Treaty as a limitation on Italy's effort will come up in the aid hearings. We risk attack for having nothing to show for the continuous study that we will have been referring to for some two months, for failing to try to clear up an anomaly in Western defense planning, and for an apparently unfriendly attitude to one of our Allies.

3. Although the Peace Treaty is not, as we tell inquirers, materially limiting Italian rearmament, it will do so as soon as Italy gets under way on an effort of the size we will use as illustration in the aid hearings. Meantime the Treaty does constitute a psychological hurdle to Italy's effort, and the more talk there is here about the Treaty, the more the Italian Government feels under pressure to do something about it. Last week, press reports here and in Italy had it that the Italian Government had approached the British. French, and ourselves, and the Yugoslavs, to draw attention to Balkan satellite rearmament and its effect on Italy's position under the Italian Treaty. Although the reports were substantially correct, we have declined to confirm or deny them.

4. The British are awaiting our response to their written proposals on dealing with the Treaty problem; these proposals, which do not have British Cabinet endorsement, are so far from the ideas we have developed that it may well take some time to reconcile our views.

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proach to the British would in any way help the Department of State in handling the public and Congressional problem outlined in Byington's memorandum. Instead Bonbright suggested that the Department tell interested Senators and Representatives that the United States hoped to attack the Russians on violations of satellite treaties at any meeting of the Foreign Ministers and that the U.S. position would be damaged if before that time any action were taken to change the Italian Treaty. Perkins noted his concurrence on the source text and added that the information to Congressional inquiries should only be given orally.

To avert our being forced into a defensive attitude, I suggest that we be authorized to convey our reply to the British now, on the understanding that we want to keep the effort to reach agreement secret, informal, and low-level at least until Four Power relationships are clearer.

No. 267

661.001/4-251

The Italian Foreign Minister (Sforza) to the Secretary of State

ROME, April 2, 1951.

MY DEAR SECRETARY ACHESON: We all agree that we must orient our thinking towards the problem of regaining the initiative on the world political and propaganda levels, while standing firm and going full speed ahead with our program of Atlantic rearmament.

In this connection, and for the purpose of doing something to strike a blow at Communist propaganda and to try to give some contribution to the necessary activities aimed at recovering the initiative also in the psychological sphere, I have outlined a very general plan of a move which might fulfill these requirements. Of course, it is a plan which should be thoroughly studied in all its details in order to weigh its positive and negative facets. I have, however, deemed it advisable to forward this plan to you in a most personal manner, so that you may examine it and let me know your opinion.

In this spirit I beg you to take under consideration the attached memorandum which I must add I recommended solely to your judgment.

Your first reaction may be perhaps one of perplexity. I must admit with you that more than once I felt the same way. However, when I think of the advantages which we could secure through the disorientation and surprise which would result at Moscow, I am convinced that the matter is really worthy of consideration. What else could we do in the field of psychological war? I do not see.

That is why I venture to entrust to you—before anybody else—the scheme to which I gave my thoughts.

Sincerely yours,

SFORZA

[Attachment]

Draft Proposal for a Nonaggression Pact

1. It is advantageous to recognize that, in this latest period, the initiative on the threefold level, military, diplomatic and psychological-propagandistic appears to be in the hands of the USSR. The Atlantic Powers have so far concentrated on the adoption of countermeasures aimed at replying to Moscow's moves, with the consequences that:

a) the choice of the moment and of the object of the various developments seems to be in the opponent's hands;
b) during the more or less short periods during which the countermeasures are worked out, prepared and enacted, difficult moments of inferiority are experienced;
c) it is necessary to make, in a short time, an exhausting effort, relatively greater than the opponent's, in order to restore the balance.

Hence, the advisability of wresting from the USSR the advantages of the initiative by some sudden and unexpected move calculated to reverse the present situation.

2. While the rearmament programs of the Atlantic Community represent the only countermeasure which it is possible to take in order to restore the balance on the military level, much is still to be done on the diplomatic and propagandistic planes which, although interdependent with the military factor, may present lesser difficulties of a material character and permit quicker results. On the propaganda level, the approach is solely to refute the arguments of the so-called "partisans of the peace" who charge the members of the Atlantic Alliance in general and the United States of America in particular with having aggressive aims and of stiffly maintaining dangerous war-furthering positions, whereas they really aim at wrecking the collective effort for the rearmament of the West, at creating perplexity in a part of continental Europe's public opinions and at arousing bones-of-contention among the various Allied Governments. It must not be forgotten that the campaigns for peace and against the atomic bomb, although they have not had the effects which the communist promoters desired, have not failed to make some inroad on European public opinion. Also, the slogan continually confirmed by communist propaganda, that the Atlantic Pact is an offensive means of aggression and that the United States particularly are not adverse, in the end, to bring about deliberately an armed conflict, exercises some attraction also in some non-communist circles. It must also be kept in mind that now and then the rumour (perhaps purposely circulated by commu-

nist elements) is heard that the USSR, in order to affirm her will to peace, has the intention to offer non-aggression pacts to some members of the Atlantic community.

What can be opposed to this propaganda? Is it possible to recover the psychological initiative from the hands of the communists in the same way as the United Nations succeeded during the last war in maintaining a constant advantage over Nazi propaganda?

3. Among the various moves which could be made in order to counter communist propaganda and possibly to restore the initiative to the Democratic world, the following plan is submitted, which, embracing at once the diplomatic and the psychological fields, seems to offer good prospects. This plan concerns the advisability of an offer by the Atlantic Alliance of a non-aggression pact to the USSR and to the communist States.

4. Before proceeding to a critical assessment of the positive and, possibly, negative elements to be found in the plan, it is well to attempt summarily to outline what could be the contents of such an offer the terms of which, once the general idea had been accepted, should be more thoroughly examined and therefore are here formulated merely in an indicative way. The text might run as follows:

a) *Preamble*—A re-statement of the desire for peace and international collaboration on the part of the propounders, with an express reference to the Charter of San Francisco.

b) *Contracting Parties*—On one part all the States which are members of the Atlantic Alliance and, on the other, the USSR and all the other communist Powers.

c) *Contents*—A definition of the aggressor based upon, and improving, the doctrinal discussions and the subsequent experiences, of that which was inserted in the collective agreements of London of 1933 (Litvinoff formula).

The mutual undertaking: not to carry out any acts of aggression; not to interfere in internal affairs; to respect territorial integrity and national independence; not to try to modify the limits of the occupation zones of the territories of the former enemy States, which were established at the end of the second World War.

An undertaking not to give any assistance whatsoever to an aggressor.

The validity of all pre-existing public agreements which are declared as not (??) [1] incompatible.

The immediate and collective denunciation of the Pact in case of acts of aggression accomplished even by only one of the contracting parties against any State, even if it should not be a signatory of the agreement.

d) *Duration*—This might, for instance, be made to coincide with that of the Atlantic Pact.

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[1] As in the source text.

5. The advantages of such a move should be examined in connection with the following four possibilities:

a) a simple refusal on the part of the USSR and of the other communist States;
b) an acceptance-in-principle and the beginning of laborious and inconclusive negotiations;
c) an acceptance-in-principle and the conclusion of the agreement;
d) the conclusion of the agreement and its subsequent violation on the part of the USSR.

A) In the case of a simple refusal on the part of the USSR, the advantages which would follow are obvious. The public opinions of the various countries which entered into the Atlantic Pact would see in the rejected offer of a non-aggression pact an extreme attempt at pacification; the confirmation of the pacific intentions of their own Governments and the revelation of Moscow's aggressive designs with the consequent debunking of her propaganda for peace and against the Atlantic Pact; the necessity of maintaining and accelerating the sacrifices which must be made in order quickly to carry out the rearmament programs which, in any case, must remain unaltered.

In case of a refusal, each Government of the Atlantic Community could therefore expect a greater internal and international compactness, a factor not to be disregarded, which would be the result of the psychological effects of the showdown. On the diplomatic plane, in addition to recovering the initiative, they would immediately gain a valuable element for the assessment—including also the possibility of military action—of Moscow's immediate intentions. In effect the Soviet Union would, in all probability, take such a stand only in view of a short-term aggressive plan.

B) In the event of an acceptance-in-principle followed by inconclusive negotiations, it would be easy to maintain the internal propaganda initiative which has been set forth above, as the impellent of the negotiations would be an Allied proposal. It should not even be difficult to attribute the responsibility of a failure of the negotiations to the opponent. To the aforesaid advantages another should be added: the valuable time gained in furthering the military Atlantic preparation. The plan should, moreover, be formulated in such terms as—without compromising its propagandistic effects—would not be easily acceptable to the USSR, owing to their binding character (the introduction of a clause on the supervision of armaments perhaps would do). The Soviet Union would thus be made to face the dilemma of losing the cold war or giving some concrete guarantees.

C) The conclusion of the proposed pact would undoubtedly result in a more or less long period of relaxation of internal and international tension, which, apart from the possible positive developments which it is not possible to foresee now, would add the following benefits to those which have been already set forth above; the acknowledgment on the part of the USSR of the non-aggressive character of the Atlantic Pact with the consequent crumbling of the greater part of the present hostile propaganda structure; the

creation, for what value it may have juridically, of a supplementary undertaking, not to be disregarded for its moral effects, on the part of the USSR and of her satellites, not to undertake any acts of aggression even against a third Power; an easier fulfillment, in the new atmosphere, of the present unaltered rearmament program and—consequently—an easier reestablishment of the international military balance. Furthermore, there would result a clear definition of the aggressor and a more precise undertaking to abstain from interfering in the internal political life of any State.

D) The fourth possibility, i.e. the conclusion of the pact and a subsequent act of aggression on the part of the USSR, would result, in addition to all the advantages listed above, in producing an easier focussing of the various public opinions, as Russia would, in such action, violate a formal agreement concluded—the first one after the end of the war—with the Atlantic Powers as well as the principles of the San Francisco charter.

6. Apart from the expected difficulties in the formulation of the text of the agreement, the chief objections against such an offer of a non-aggression pact to the USSR could be summarized in the following points:

a) Preoccupations about the danger of internal and external interpretations to the effect that such an offer is an indication of the weakness of the Atlantic Community. This is a problem of some weight—perhaps not very different from that of stating plainly the low level of our armaments compared with that of the Communist States—but, after a careful examination, it does not seem so great as to nullify the positive aspects of the initiative. The propaganda aspect of the offer should, of course, be well considered, because it would be necessary from the start to express explicitly the will to carry out the rearmament plan integrally. It should also be avoided that one country or another, instead of the whole Atlantic Community, appears as responsible for the initiative or its realization.

b) Misgivings about a possible weakening of the UNO, inasmuch as the Charter of San Francisco already contains a series of undertakings concerning non-aggression, the respect of the territorial integrity and of the national independence, the non-interference in the internal affairs, etc. As a matter of fact, such misgivings do not appear to have any foundation, just as the Atlantic Pact has not weakened the obligations already undertaken by the contracting parties in the Statute of the UNO as regards sanctions against an aggressor. The new pact would lead to a more exact definition of the aggressor and to a completion of the existing undertakings concerning the safeguarding of the internal affairs of the contracting parties, which comes within the framework of the regional agreements contemplated and advocated in the San Francisco Charter. It is obvious, on the other hand, that, in terms of the propaganda aims which are sought, the offer of a non-aggression pact should only indicate some essential principles, such as those which have been set forth above, leaving a certain margin for the future negotiations. Since no final draft of the agreement would be presented, it appears unlikely to incur any concrete criticism and, much less,

contradiction, as a result of a superimposition on the UNO undertakings.

c) Preoccupations about a possible juridical and political incompatibility of such a pact with the Atlantic Alliance. These, too, appear to be easy to overcome from the juridical standpoint in view of the contents of the pact itself above indicated. The treaties of alliance at present in force between Great Britain and France and the USSR are the witnesses of a positive practice in this connection. From the political point of view, any danger of incompatibility would disappear if the offer were made—as is contemplated—only collectively by all the members of the Atlantic Community which, by acting corporately, would indeed see its own personality reinforced.

d) Preoccupations concerning possible misgivings or uncertainties in some democratic countries which do not belong to the Atlantic Community. This possibility really exists, especially at the start, but it is just for this that it should be quite explicitly declared from the beginning that the non-aggression pact would be denounced in the case of an aggression against any third Power. On the other hand, different juridical positions already exist between the various Democratic Powers. Therefore this is no new problem, but a solution of the old one should be contemplated, which also takes this fact into account.

7. Notwithstanding all this, it is important to stress once more that the attempt to recover the advantages of the diplomatic and psychological initiative lies at the basis of this proposal. This move, in addition to what has already been pointed out, would also have the merit of dispelling the danger of having at a certain moment to face the serious embarrassment of a similar plan coming from Moscow. In this event, apart from any consideration of merit, all the psychological advantages would automatically go to the USSR, regardless of the reply of the Atlantic Community.

In pursuing our objective this plan has been studied as a contribution to the discussion of the most effective means of blocking the diplomatic and the propaganda action of the Communists. Although it may, at first sight, appear to be a bold and perhaps shocking move, the simple reflection on the disorientation and surprise which this move, having been made by her opponents, could arouse in Moscow, appears to justify thorough examination.

No. 268

765.5-MSP/4-451

Memorandum of Conversation, by the Under Secretary of State (Webb) [1]

CONFIDENTIAL WASHINGTON, April 4, 1951.

Subject: Italian Rearmament Program

Participants: The Italian Ambassador
The Under Secretary of State
Mr. Byington, WE

Ambassador Tarchiani said that he had come on instructions from his Government to discuss the current negotiations in Rome with regard to the amount of U.S. assistance Italy will receive in the fiscal year 1952 to support its military production program and the Italian economy. He reviewed the progress made by the Italian Government over the past few years, its stability and its success in achieving recovery and maintaining order. He said that Italy was wholeheartedly behind its commitments under the NATO and wanted to do its full share and more if it could be given the opportunity. In order that there could be a substantial Italian military program as contemplated under the NATO it was absolutely necessary that the Italian Government should receive the raw materials for the implementation of its program and for the basic essentials of civilian requirements which must be met if the defense program is to be carried out efficiently. He pointed out that at present Italy had insufficient raw materials to meet its military production within the military limitations of the Italian Peace Treaty. The U.S. Senate, however, had only just recently expressed its will that the Italian military contribution to the NATO should not be limited by the Peace Treaty. If that were to be accomplished, it would be absolutely essential for Italy to receive additional quantities of necessary raw materials. If given adequate assistance, the 45 million Italians would be anxious to go ahead with the kind of program that is needed. He said that the negotiations in Rome had been stalled for three months over the question of the amount of aid that would be provided by the United States. The Italian Government had been informed that the United States aid presentation to the United States Congress would include the sum of $275 million for Italy. On the other hand, the Italian Government believed that aid of at least $400 million to $450 million is absolutely necessary to insure Italy against serious economic difficulties and

[1] Drafted by Byington.

to permit the efficient development of an Italian rearmament program. He pointed out that the Italian Government had already substantially increased its defense effort with a supplementary program of military production of 250 billion lire, over and above the normal budget of the Italian military establishment. It was going ahead letting contracts under this program, and had no intention in any way of making the Italian effort conditional upon U.S. aid. If, however, adequate assistance to the extent of the amount he had indicated is not forthcoming from the United States, Italy would be faced with a severe lack of resources to maintain the minimum standard of living necessary to insure the carrying out of its military program.

The Ambassador also referred to the fact that this year, in May and June, there would be municipal elections throughout Italy. The popular support of Italy's role in the North Atlantic Treaty Organization would be fundamentally affected by the degree to which the Italian Government was in a position because of U.S. assistance to insure the Italian people that the NATO was in fact going ahead and that Italy was making substantial progress. In some wealthier countries in Europe there was a degree of fat which could be cut off the economy without affecting the basic necessities of life. In Italy conditions were such that the overwhelming majority of the Italian people had only a bare subsistence to live on and any cut on that would mean starvation. The necessary degree of U.S. aid, therefore, would mean the political success or failure of de Gasperi and all that he was trying to do. It would have a direct bearing on the ability of communist opposition to impede Italy's role under the North Atlantic Pact Organization.

The Ambassador pointed out that their estimate of the amount of aid needed and the U.S. estimate only differed to the extent of $125 million. He hoped that in considering the memorandum from his Government, which he was leaving with me,[2] the United States Government would keep in mind the important political aspect of this question, rather than limiting its consideration to purely economic factors. It would certainly seem tragic to fail fully to utilize Italy's potentialities for the want of the comparatively small amount of additional assistance required to meet the essential needs of the Italian military program.

In accepting the Italian Government's note I thanked the Ambassador for his eloquent presentation of his Government's views and

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[2] The memorandum of April 4 requested adequate assistance from the United States in the amount of $400–450 million for the fiscal year beginning July 1, 1951, or else Italy "would be faced with a severe lack of resources to carry on the rearmament program and might see its social and political stability seriously impaired." (765.5-MSP/4-451)

said that I would see to it that the information he had given me received the most careful consideration of the appropriate officers of the Department in consultation with the other agencies concerned. I said that the U.S. Government is gratified that the Italian Government is proceeding with the letting of contracts for defense production without waiting for the conclusion of the aid negotiations now in progress in Rome.

I also pointed out that we expected that foreign aid appropriations will be made as in the past not on a rigid country-by-country basis, but with sufficient flexibility to permit us to relieve in part, at least, strains which may later develop in individual countries. In this connection, I stressed that the necessity for rearmament for mutual protection necessarily involves sacrifice on the part of all the North Atlantic Treaty partners. This Government appreciates the efforts of the Italian Government and the impact which the proposed program and its continuation to 1952 will have on the Italian economy. The United States, as he knew, is assuming a tremendous burden in its defense effort. It was pointed out to the Ambassador that the total U.S. assistance to Italy programmed for fiscal year 1951 (military end items and economic aid) was possibly greater than the total Italian defense budget. In considering the sacrifice that each country would make we would have to keep very much in mind the question of balance of payments as an important criteria in studying each country's needs and the problem of correlating the needs of the European area as a whole.

No. 269

665.001/4-1751: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

CONFIDENTIAL ROME, April 17, 1951—6 p.m.

4704. FonOff advises that Sforza's letter Feb 5 to Schuman, [2] reported Cianfarra article *NY Times* April 14 (Embtels 4674, Apr 16 [3] and 4690, Apr 17 [4]), given informally Brit FonOff last week (understand text conveyed to Dept some three weeks ago). However,

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[1] Repeated to Paris and London.

[2] On April 14 Sforza revealed that he had sent a personal letter to Schuman requesting that the three Western Powers make a formal announcement which would declare the moral extinction of the Treaty of Peace with Italy. The letter is printed in the *New York Times*, April 14, 1951.

[3] Not printed.

[4] Telegram 4690 briefly reported the reaction of various Italian newspapers to the release of Sforza's letter. (665.001/4-1751)

FonOff has not followed up in London (or Washington) with direct appeal such as made to Schuman.

Emb understands that altho French and Itals did consider treaty revision in general terms at Santa Margherita, points raised in Sforza's letter not discussed in detail.

FonOff has informed us letter publicized at this time to demonstrate to Ital public that Ital Govt is not lagging behind US Congress in effort obtain release from treaty restrictions. FonOff officials close to Sforza express increasing concern re difficult position govt in face (1) growing demand in US Congress for revision, particularly of military restrictions; (2) our public advocacy of peace treaties with Japan and Germany which would in contrast Ital treaty, contain little or no restrictions rearmament and which wld impose only slight economic reparations burdens; and (3) parliamentary criticism govt's rearmament program while country remains under moral and technical burdens of restrictive treaty. At same time FonOff well aware Dept's position re undesirability raise issue at this time and of far-reaching legal difficulties involved revision.

DUNN

No. 270

665.001/4-2051: Telegram

The Secretary of State to the Embassy in Italy [1]

CONFIDENTIAL WASHINGTON, April 20, 1951—7 p.m.

4728. At press conference Apr 17 Secy was asked about report from Rome that Count Sforza had sent memo US suggesting Atlantic Pact countries offer non-aggression pact to Commie countries. Secy replied he did not know and that after seeing press reports that Count Sforza had sent letter about Ital Peace Treaty had searched for such letter and found nothing on it. Said cld not answer question asked. Another correspondent then asked about Peace Treaty letter and Secy said Count Sforza has not sent him any letter about Peace Treaty. Said that such letter was one he had been looking for and had not found.

New York Times Apr 18 carried Rome story that Sforza has sent memo to SecState re non-aggression treaty. Story purported sum-

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[1] Drafted by Greene and Byington and cleared with Williamson, Bonbright, and Perkins; repeated to Paris and London.

marize memo. [2] Dept then responded to further inquiries that SecState has received thru Tarchiani message from Sforza proposing that NAT countries offer to USSR and other Commie countries non-aggression pact as demonstration Western preparations really defensive, that proposal under study, and that far as we know other NAT members not consulted.

FYI facts are Secy received personal letter from Sforza with suggestion substantially as reported and it is under study; no letter has been received from Sforza re Ital Peace Treaty. Dept informally explained to Ital Emb prior *NY Times* publication that SecState had intentionally at press conference diverted question away from non-aggression matter since understood that Sforza letter secret and personal and accordingly desired avoid possible embarrassment to Sforza by admitting its receipt. After *NY Times* report Dept concluded must confirm receipt.

NY Times Apr 19 reports officially inspired statement being published Rome press effect Ital Govt considers Peace Treaty revision timely now and that difficulties cannot "deflect Ital diplomacy from posing solution of what is not only the paramount Ital problem but also act of justice in behalf of democratic nations".

Dept suggests you make clear US views on these developments, which are also being expressed Ital Emb here (reurtels 4690 [3] and 4704 Apr 17 [4]):

Dept previously under impression Ital Govt shared our views Peace Treaty issue shld be given as little emphasis as possible in press pending outcome four-power conversations. Recognize recent publicity was created by FonOff for internal polit reasons and Congressional action here partly responsible. We hope FonOff will realize further public agitation of this kind at this time may hinder rather than help ultimate objective of revision mil clauses by forcing us into opposition in order not to weaken our position in current negots with Soviet Union. FYI believe this may be even more true in case of Brit and Fr.

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[2] For the memorandum under reference here and the covering letter of April 2, see Document 267. In telegram 4769 from Rome, April 20, the Embassy reported as follows concerning the "leak" of information on Sforza's proposal:

"Prior publication Cianfarra article *New York Times* April 18th FonOff had not mentioned to Emb Sforza's proposal to Dept re 'nonaggression pact'. Upon our informal inquiry, Chief of Cabinet confirmed message had been sent to Washington and explained that Cianfarra had learned of proposal some time ago at luncheon meeting with De Gasperi, Sforza and others which he had attended in private capacity. After much prodding by Cianfarra, Sforza apparently was convinced publicity inevitable and story broke while he was in Paris." (740.5/4-2051)

[3] Not printed, but see footnote 4, *supra*.

[4] *Supra*.

We also do not see how premature pub Sforza's non-aggression proposal given us in secrecy will help Italy's relations with her other associates in NATO who are vitally interested and learn of this proposal through public press. Dept most strongly wishes work closely with Ital Govt in these matters of mutual interest and is disturbed by Ital Govt's unilateral publicity action which makes our cooperation difficult, particularly as regards necessary consultation with our friendly allies.

ACHESON

No. 271

765.00/4-2351: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET ROME, April 23, 1951—8 p.m.

4803. This spring's municipal-provincial election campaign which is now underway and which will culminate May 27 to June 10 with elections in 60 of Italy's 95 provinces, will involve over two-thirds Ital electorate. (Elections in fall will be relatively anti-climax involving for most part south and islands.) The campaign will be fought not on local issues but on basic issues of Ital participation in Western alignment and of democracy versus Commie totalitarianism.

In view above, it wld be helpful here if Dept and other US agencies keep campaign in mind when considering questions of importance to Italy during coming weeks. Dept will, of course, be aware desirability of lending maximum indirect assistance to democratic parties for example by postponing wherever possible announcement of actions unfavorable to Italy until after June 10 or by announcing favorable actions at strategic moments during campaign. [2]

DUNN

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[1] Repeated to Paris for MacArthur and OSR and to London.

[2] In telegram 4776 to Rome, April 24, the Department of State concurred with these recommendations. (765.00/4-2451)

No. 272

665.001/5-451

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington)

SECRET [WASHINGTON,] May 4, 1951.

Subject: Italian Peace Treaty; Count Sforza's Proposal for a Non-Aggression Pact

Participants: Mr. Sensi, First Secretary, Italian Embassy
Mr. Byington, WE

I told Mr. Sensi that a great deal of study had been given in the Department to Count Sforza's letter to the Secretary proposing a non-aggression pact. [1] From the views that had been developing on this proposal and the tentative draft of a reply prepared so far, it appeared that the answer would have to be in the negative and, likewise, would have to contain the substantial reasons why such a proposal was inadvisable. I pointed out that a formal written reply officially communicated to the Italian Government might inevitably lead to publication and I questioned whether this would be in the interest of harmonious relations between Italy and the United States.

It seemed to me that one way of handling this question might be for the Embassy to ascertain informally whether it would not be the preference of the Italian Ministry of Foreign Affairs that no reply be made at all and the matter allowed to drop. If such were the case, the officials in the Department dealing with this subject would be in a position to recommend to the Secretary that he make no reply and to state that such action would be agreeable to the Embassy here in Washington, and seemed the wisest course to follow. I emphasized, particularly, that I was not making this approach under instructions from the Secretary and that any recommendations submitted to the Secretary might naturally not meet with his approval and he might feel that it was necessary for a reply to be made for the record. Mr. Sensi said that a negative reply would have a harmful effect on the forthcoming elections in Italy in the event that it should be made public, and he personally agreed that the best way to handle this matter would be to let it drop. He said that the Embassy would make appropriate inquiry of

[1] Document 267.

the Foreign Office to find out its views and he hoped that we could suspend action until receipt of their instructions from Rome. [2]

[2] On May 7 Sensi informed Byington that Italian Ambassador Tarchiani agreed that the problem at the moment was to find a way out of the predicament and that Tarchiani preferred a method whereby Ambassador Dunn or Minister Thompson would approach the Italian Foreign Office along the lines presented in this conversation. (Memorandum of conversation, May 7, 665.001/5-751)

No. 273

665.001/5-1051

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington)

SECRET [WASHINGTON,] May 10, 1951.

Subject: Statement Regarding Revision Italian Peace Treaty

Participants: Ambassador Tarchiani, Italian Embassy
Mr. Byington, WE

Ambassador Tarchiani reviewed the present electoral situation in Italy and the hopeful prospect that the communists might lose out in a number of their important municipal strongholds. He said that the government was under constant attack with regard to its foreign policy and its failure to achieve beneficial results for Italy, while on the other hand giving way on such important issues as the former Italian colonies. He said that it would have a very favorable effect on the electorate if the Secretary should make a favorable statement with regard to the progress Italy had made in its recovery to date, its full participation in the North Atlantic Treaty, and that its status in the family of nations had now in fact surpassed its former condition under the peace treaty. At the same time the fact that the Soviet satellites had rearmed beyond their treaty limitations would have to be taken into consideration in connection with Italy's relationship to the NATO. He pointed out that Mr. Schuman had already made a statement praising Italy and had mentioned the peace treaty and that a statement from the United States would have far more weight than anything that was said either in France or Great Britain. He recognized the necessity that nothing be said which would have a harmful effect on the present discussions in Paris but he believed that there were enough statements already on the record with regard to Italy by the United States Government representatives to cover the situation without detriment to the Paris talks if publicized now. There was a real necessity that some inspirational statement should be issued, and he

hoped that the Department could give this informal request on his part favorable consideration.

I pointed out the difficulties imposed by the present talks with the Soviet Union and the fact that the agenda under discussion now contained the word "fulfillment" in connection with the peace treaty and said that I thought there would be considerable difficulty in doing what he wanted. I said that as he knew the Department was very anxious to help in any way that might be possible against the communists in the forthcoming Italian municipal elections and that his suggestion would be given the fullest consideration and certainly not be rejected lightly. A great deal depended on the timing and current developments in Paris. I promised to see what could be done. [1]

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[1] In telegram 5036 to Rome, May 11, the Department of State informed the Embassy of Tarchiani's visit and stated that unless there was a breakdown in the Paris talks, no statement about the revision of the Treaty of Peace with Italy would be issued at this time. (665.001/5-1151)

No. 274

765.00/5-1051: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET ROME, May 10, 1951—2 p.m.

5047. We have considered recommending to Dept statement by Secretary which would be vote of US confidence in govt and meet informally expressed Ital desire for commitment by US that relations with Italy governed by NAT rather than peace treaty. Such statement might have been extremely useful at this stage of election campaign here. On balance, however, we recommend against any such statement. Reasons are: (1) limitations on commitments we can make on peace treaty imposed by continuation of Paris talks; (2) Italy's relations with US have not yet been introduced into campaign and we doubt whether they will except in routine Communist charges of subservience to "American imperialism"; (3) Communists for obvious reasons do not attack govt for failure obtain peace treaty revision; (4) anything short of concrete performance by US would be attacked by Communists against background of continuous accusation that March 20 statement merely "electoral trick"; (5) such statement would chiefly be useful in aiding govt to defend self against right and, currency of "statements" being somewhat depreciated, anything short of specific commitment for early performance would not be successful in drawing to govt par-

ties support of Nationalist Rightist opposition now critical of Sforza's "failures"; (6) although campaign not yet in high gear, it seems to be going well and prospects for democratic parties in relation to Communists are, barring unforeseen developments, good; (7) Ital interest in such statement is perhaps motivated more by desire to obtain commitment on peace treaty than by conviction of necessity of statement for electoral purposes. [1]

DUNN

[1] Although Dunn's advice was initially accepted, a meeting between the Secretary of State and the Italian Ambassador was subsequently arranged for May 18 after which a statement was released to the press. Regarding the meeting and the press release, see the memorandum of conversation, Document 276.

No. 275

Office of International Security Affairs files, lot 52-26, ECA—Rome

The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State [1]

SECRET LONDON, May 11, 1951.

No. 20

Subject: Mr Spofford's Rome Conference

Herewith is a summary of the report of my discussions in Rome, together with several related talks I have had with Rossi Longhi both before and after the trip.

The delay in transmitting it has been in part due to my desire to check my notes with those taken by the Italians, which Rossi Longhi has furnished me here.

Prior to the Rome visit I had two talks with Rossi Longhi in which I told him the purpose of my visit and stated U.S. concern that the Italian effort be strengthened and speeded up, following closely the lines laid down in Deptel 4305 to Rome on March 27th, [2] and Deptel 4212 to Rome on March 21st. [3] I related this position to my visit.

In preliminary conferences with Dunn we agreed that since I was in Rome as guest of the Italian government I should consider myself there in my international rather than in my U.S. capacity, and that accordingly he and Dayton would not accompany me to the conferences, which were arranged with de Gasperi, Sforza, Pella, Pacciardi, and a courtesy call on General Marras.

[1] Copies sent to Rome and Paris.
[2] Not printed.
[3] Document 265.

I had a conference of over an hour with de Gasperi with no one present. As I had been led to expect from earlier talks with Rossi Longhi and Pella, de Gasperi opened up by explaining his parliamentary situation and the status of the 250 million lira program. While the Chamber, in which he had a majority, had adopted the program, the Senate, in which there was a large element that did not follow his foreign or domestic policies, was making progress slow. He detailed the parliamentary maneuvers which he thought had thus far been successful and stated categorically that the bill would be adopted by the Senate. He went on to say that after its adoption he would know better how far and how fast the next slice could be undertaken, but he felt that an additional substantial effort would be possible this year. He was unable to make a public statement to this effect since the Senate would react badly and perhaps fatally to any such pronouncement at this time.

He then switched to the Peace Treaty, stating that Italy was pleased with the revisionist sentiment which was appearing in the U.S. This appeared for the most part to be directed only to the military clauses, which he thought to be a mistake. The Treaty had a moral and psychological significance for the Italians which the mere lifting of the military clauses would not solve and might even aggravate. It was a matter of national status. The elimination of economic, territorial and other clauses presented no substantive problem, since they were all executed or involved only minor questions at this time. He fully recognized that it would be a mistake to raise the whole question now since we were having enough trouble with the Russians in Paris without adding further complications. Also he granted that the Treaty was not a limiting factor on their present effort and would not become one for some time, but that it was necessary to prepare the ground and to bring our minds into harmony on the proper solution.

Again, without my having an opportunity to comment, he switched to the matter of the reorganization of NATO and the Canadian plan.[4] He did not fully understand the scheme, but what he knew of it seemed constructive and in the right direction. He particularly liked the idea of having ministers competent in particular fields attend Council meetings where they could meet and take immediate decisions. Foreign Ministers were likely to be overcautious in the economic field because of their lack of familiarity with it. I contributed some facts at this point on reorganization and background of the Canadian and other current proposals.

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[4] For documentation concerning the reorganization of NATO, see vol. III, Part 1, pp. 460 ff. For the text of the Canadian Plan, see *Foreign Relations*, 1950, vol. III, p. 461.

I then had an opportunity to refer to my earlier talks with Pella and told him of our concern both as to the scale of the effort and as to the speed with which it could be accomplished, emphasizing the latter. I made my usual point as to the advantages of all-out effort for the short range future from every standpoint, emphasizing public appeal of intensive effort for a limited period as against long drawn out and apparently indefinite commitment to austerity. He responded, I thought, favorably to this line but observed that while we Americans talked speed and accomplished miracles of speed in the production field he thought we suffered from the same bureaucratic delays that they did in at least some respects and referred to some difficulties they had had with what I took to be AMP projects. I confessed that this was a slow business but that we were making every effort to streamline our procedure. He said he was not satisfied with the Italian organization for industrial mobilization and had been trying to find an Italian counterpart for Wilson. He had pretty much come to the conclusion, however, that that pattern did not fit the Italians. There were no industrialists competent for the job who would be *persona grata* to the Italian government and would not cause parliamentary troubles. Also Italian bureaucracy would not accept an outsider in a top spot in the way in which American administration apparently responded to our industrial leadership. I told him something of our Congressional problem, stating that it was important for those who like myself might have a part in the legislative proceedings to get the best estimates not only as to the facts now existing but as to measures contemplated.

Finally de Gasperi said he thought Italy had made substantial progress, and would make more, that we should not lose sight of the fact that Italy's biggest surplus was babies, that he hoped Italian capacity for work, its manpower and industrial skills could be used to the common advantage.

I had two talks with Pella. Malagodi, Magistrati and Rossi Longhi were present at each. After preliminary courtesies I opened the first talk with my statement on acceleration, developing my concern as to the Congressional attitude. This, while a little out of line with my international capacity, was expected and not badly received. Pella responded with a statement as to the 250 billion lira program. While it had not yet been adopted he had nevertheless authorized the Defense Department to place contracts in anticipation, which might end them all in jail, but which he thought was a worthwhile risk. Time was, therefore, not being lost. He appreciated the attitude of U.S. Congress, which must be satisfied that every partner is doing its best, which the Italians were determined to do. The economy must nevertheless be safeguarded. An unsound basis

for the military effort would be disastrous. I replied that while it was of course the responsibility of finance ministers to guard against risks to the economy, the philosophy which I felt was now becoming more generally accepted among the NAT powers was that until the greater risk of total destruction was successfully met, some risks with the economy would have to be accepted as the lesser of the evils.

At the second meeting I indicated familiarity with the position as to this year's program and asked his plans for the following year. He said that as to this year's program the last slice of ECA aid remained to be credited. He thought they were close to agreement; this aid was most important. I said my information was that the matter was progressing satisfactorily and that it should be straightened out soon. He then outlined generally the directions for next year, in which he stated that the Italian and U.S. estimates of the dollar deficit seemed to vary widely but that they were not far apart on the main approach to the problem. Italy must protect its standard of living with its very low per capita consumption, but that if the basic raw materials can be assured he felt that they could move ahead. He was not specific as to how far or when, but gave me general assurances that they could be counted upon to do their full share. I went back to my point as to the advantage of effort now as against two years from now and my speech on the virtues of speed, to which he replied that he might be slow in commitment, but that he yielded to no one in speed of execution.

I then asked him what his plans were for increasing the adequacy of the controls on use of critical material. He told me that while the government had sought earlier in the year to obtain full powers for a complete set of economic controls they now were considering the piecemeal approach, and that he expected to increase controls over raw materials and price controls. He would institute rationing if it seemed necessary and when he was certain it could be effective.

He then brought up the situation of the North and its surplus manpower and capacity, and asked whether there was any possibility of utilizing this for the benefit of other NAT members. I told him of the difficulties which the HPPP had uncovered in this field; that of the several bottlenecks we had broken one, and were working on a plan which would make a contribution to clearing up the others. He was most interested in this and stressed the importance to both economy and morale of the North. He closed by what appeared to be to me a sincere statement, guarded, however, as far as affirmative commitments were concerned, as to his general sympathy with the NAT program.

My talk with Pacciardi was in general terms. He said he thought that they were making progress in training and equipping units; that the end-items they had received were a life-saver; and that he thought they were making good use of them. I confirmed that the MAAG had reported this. He said he was proceeding to contract on the basis of the 250 billion lira program; that he could use more and wished me luck with Pella. Pacciardi said he had one statement he felt he must make and hoped that I would not consider it unfriendly. He said that he felt the disparity of the end-items which were going to France and to Italy was "unacceptable" in view of his own estimate of the relative efforts that were being made to utilize this equipment. I made no comment.

My talk with General Marras was also general in terms. He stated that he had four divisions fully equipped with reserves, which could fight if war broke out tomorrow. He mentioned the arrangements for Mediterranean Command which he had discussed with Admiral Carney, and expressed himself as very satisfied with this arrangement. He hoped Carney's headquarters would be set up at Naples. He mentioned with evident enthusiasm the plan for joint U.S. naval air–Italian ground force exercises in the North.

My talk with Sforza was in character and in most general terms. In the course of his remarks he said he felt Italy had a moral advantage over France in that France was living on the illusion of a victory in the last war to which she did not contribute, while Italy was proceeding on the fact of a defeat for which she must atone.

I had a long discussion on the plane back with Rossi Longhi, who confirmed my view that Pella was the man who must be convinced before the program could be stepped up. He said he thought de Gasperi was pushing the whole government; Pella was the deterrent. He hoped we would keep the pressure on and felt that the visit had been useful from that point of view.

The principal observations which I might make as a result of my talks and the very helpful conferences with Dunn and his staff are:

1. de Gasperi is certainly in our corner and comes about as near being as strong and effective a leader in control of his political situation (at least in the lower house) as we have in the principal NAT countries at the present time. He has an objectivity and strength which are real assets and warrant confidence and support.

2. Pella may be dragging his heels but I would judge the reasons which prompt him to do so are those which he frankly has given us. I have heard some rumors that he is secretly not in sympathy with the defense effort but I would think the explanation is rather financial conservatism and caution against the background of a tight and basically unstable economic picture.

3. The military side seems to be going well and gives grounds for real encouragement.

CHARLES M. SPOFFORD

No. 276

665.001/5-1851

Memorandum of Conversation, by the Secretary of State [1]

SECRET [WASHINGTON,] May 18, 1951.

Subject: Italian Defense Effort

Participants: The Italian Ambassador
The Secretary of State
Mr. Byington, WE

Ambassador Tarchiani said that he was gratified to inform me that the Italian Government was going steadily ahead in its defense effort within the NATO. He said that despite the political difficulties involved, including the death of the President of the Senate, that body had now voted the 250 billion lire immediate additional contribution towards Italy's rearmament. The government had been able to get this measure through both houses with an overwhelming vote in favor despite the pre-electoral atmosphere now existent. He added that he thought this firm action by the government would in actual fact help rather than hurt them in the elections. I said that I was very glad to have from the Ambassador this confirmation of the good news and appreciated particularly his remarks concerning the Italian Government's determination to go ahead with its defense measures. I said that I welcomed this act by the Italian Government as an expression of Italy's cooperation with the other nations of the North Atlantic Community in their common program for deterring aggression. I referred to the notable recovery made by free democratic Italy since the war and said that Italy today occupies a place of distinction and full equality among the free nations working to establish an enduring peace. Although denied admission into the United Nations by repeated Soviet vetoes, Italy as a member of the NATO is now making a major contribution to the common defense of liberty and the preservation of democratic traditions in a free world. I also referred to the bonds of friendship existing between the American and Italian people which are being constantly strengthened by daily association and cooperation in the effort to maintain peace and guard against aggression. I

[1] Drafted by Byington.

said that it would give me pleasure to make public this statement to the press as an indication of this Government's attitude towards Italy. [2]

Ambassador Tarchiani expressed great appreciation and said that the Italian people and the Italian Government had a tendency to feel that they had an inferior status in the family of free nations. This was caused by the ever present shadow of the Italian Peace Treaty which continued to put Italy in a weak moral position in the eyes of its government and people. He said that what counted more than anything else was their relationship with the United States and any statement which could tend to emphasize Italy's equality in the family of nations was very helpful indeed. I replied that I would keep his remarks in mind and that the Department would have them under study. The Ambassador said that he realized that the present conversations in Paris with the Soviet Union made it difficult to bring about at this time any juridical consideration of revision of the Peace Treaty. I outlined for him the present status of the conversations and he expressed the opinion that he could find no reason for the Russian attitude other than the possibility that they wished to lose time and felt that this was to their advantage in gaining their objective of world domination.

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[2] On May 17, Perkins sent a memorandum to the Secretary of State in which he recommended that the Secretary hold a brief conversation with the Italian Ambassador on the next day, Friday, May 18. After the interview, a statement would be released to the press which would express U.S.-Italy solidarity on the eve of the Italian elections. (765.00/5-1751) The text of the Secretary's press release is printed in Department of State *Bulletin*, May 28, 1951, p. 845.

No. 277

665.001/5-2351: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET ROME, May 23, 1951—7 p.m.

5309. FonOff explains Sforza felt obliged keep treaty revision initiative and since no public official reaction from 3 powers to his letter to Schuman (Embtel 4704 Apr 17 [2]) he felt it necessary in Genoa speech [3] to restate in specific terms Ital Govt's position.

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[1] Repeated to London and Paris.

[2] Document 269.

[3] On May 20 Sforza gave a speech in Genoa in which he asked for the annulment of the military and certain other clauses of the Treaty of Peace with Italy and the admission of Italy to the United Nations. The speech is printed, in part, in Folliot, *Documents on International Affairs, 1951*, p. 78.

While he realizes Paris deputies negots complicate situation, FonOff says that Sforza considers in those very negots 3 Western powers might adopt a position with respect Ital peace treaty somewhat in line his Genoa suggestions. Evidently FonMin feels situation is morally intolerable wherein Italy, former co-belligerent and now ally, is more bound by peace treaty restrictions than any of former enemy countries, including both present occupation status, and anticipated peace treaty status of Germany and Japan.

ReEmbtel 5211, May 18, [4] FonOff does not anticipate further official representations at present time. Emb Wash has been instructed explain to McDermott, in connection his statement, May 21 [5] that while true Ital Govt officially communicated views treaty revision to US Govt, still Sforza's statement of Ital position in Genoa speech is official position Ital Govt for all to take note of.

In our opinion Sforza felt obliged resume initiative peace treaty revision in Genoa speech in order establish clear record for govt of working actively for removal moral stigma of "diktat". For purposes imminent elections revision question appears to us to be primarily internal issue, i.e., reinforcing govt's record of pursuing energetic, independent, Italian foreign policy; and on other hand refuting opposition charges govt, especially FonMin, slavishly fol along behind Western allies, particularly US. So far at any rate question has not involved issue foreign Ital relations nor, specifically, active Western support Ital aspirations. Undoubtedly that aspect will appear eventually but not yet apparent.

We do not believe electoral situation requires any positive tripartite support or acceptance Sforza's proposal to election; although there are doubtless eager elements in govt who see in situation opportunity to press US for commitment.

In our view requirements of election campaign can be considered met by Sec's statement May 18 [6] and McDermott's comment May 21 which well played in Ital press (Embtel 5300 May 23 [7]). Pub and govt seem appreciate our position of reluctance take definite stand on issue during Paris negot. Of course, it wld be highly embarrassing and politically damaging to govt if we shld give any pub indica-

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[4] Telegram 5211 reported that an official of the Italian Foreign Ministry informed the Embassy that the Italian Government intended to request early action by the Western Powers to express agreement in a joint statement that the Italian Peace Treaty needed revision in order to eliminate its onerous provisions. (665.001/5–1851)

[5] This is presumably a reference to a statement made by Michael J. McDermott, Press Secretary of the Department of State, during the daily noon briefing on May 21.

[6] For information concerning Acheson's statement of May 18, see the memorandum of conversation, *supra*.

[7] Telegram 5300 summarized the reaction of the non-Communist Italian newspapers to Sforza's speech. (665.001/5-2351)

tion of opposing govt's position as expressed by FonMin. We believe that some positive action on the treaty cannot long be delayed, and will submit comments and suggestions shortly.

Official translation full text being made available today will be airmailed soonest.

DUNN

No. 278

665.001/5-2851: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET ROME, May 28, 1951—2 p. m.

5376. As reported in Embtel No. 5309 of May 23 [1] believe that action re Ital treaty cannot long be delayed. While we continue to think that action on our part is not essential in connection with this phase of election campaign, particularly now that Ital Govt has established a clear record of pressing the issue, there is no doubt that the cumulative effect of continued discussion and other developments will before long reach a point where failure to take action will be so conspicuous as to place in doubt the sincerity of Western and especially US policy toward Italy. We have in mind such developments as further progress on the Japanese and Ger treaties, and further progress in Ital rearmament. The former will tend to place Italy invidious position and the latter, in the absence of action on our part re the treaty, may arouse the latent suspicion prevalent here that we do not seriously count upon Italy playing an important role in Western defense with a consequent diminution of Ital willingness to make the necessary sacrifices for rearmament. We have therefore been giving some thought as to possible methods of procedure and hope that the following suggestions may be useful in the Dept's consideration of the problem:

From the standpoint of the Ital Govt and Ital domestic politics it wld be extremely useful if first formal initiative came from Ital Govt. This important not only to offset one of principal criticisms of govt from the right i.e., that it is not sufficiently vigorous in defending Ital interests vis-à-vis the US, but also to offset the charge that action re the treaty wld be taken only because of our selfish interest in Ital rearmament and Ital "cannon fodder".

Such initiative might take the form of a communication addressed by the Ital Govt to all signatories of the treaty and to the

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[1] *Supra.*

NATO Council. It wld recite developments since the conclusion of the treaty such as the exclusion of Italy from the UN by Sov veto, failure of the UN to develop adequate measures for collective security upon which, at the time the treaty was signed, it was envisaged that Italy cld rely, Ital membership in NATO, violation of mil clauses of satellite peace treaties and gen state of tension and insecurity in the world as evidenced by Commie aggression in Korea and elsewhere. Communication wld conclude by stating that in these circumstances Italy does not believe that the Ital peace treaty corresponds to the existing situation, considers that steps shld be taken to replace it, and, in any event that she does not believe she shld be prevented from taking the steps necessary to insure her security and prevent her from becoming the object of aggression.

The NATO Council (or Council of Deputies) wld address communication to United Nations Secy Gen and to NATO Govts signatory to treaty which wld enclose copy of Ital communication, state that it confirmed promises set forth in Ital note, that it finds Italy hampered in fulfilling her NATO obligations by provisions of the treaty and wld recommend recognition of fact that Italy shld not in present circumstances be bound by the mil clauses of the treaty. NATO member govts in public statements or in communications to Ital Govt wld state they recognize justice of Ital position, state they wld be prepared to agree to a revision of the treaty, state that their relations with Italy are governed by the spirit of the North Atlantic Pact, state that they individually considered that the right of every country to self defense against menace of aggression applied in present circumstances to Italy not withstanding the provisions of the treaty, and conclude by expressing readiness to negotiate at suitable time a document which for purposes of bilateral relations with Italy wld replace the peace treaty.

Wording of all communications and statements wld be carefully drafted so as to avoid actual legal denunciation of the treaty by Italy or ourselves which cld give USSR opportunity to take matter to world court. Diplomatic preparations for these actions might be made occasion for pressure on both Ital and Yugo Govts for bilateral Trieste settlement or at least *de facto* revision of zones of occupation along lines of eventual settlement. It wld certainly be easier for Ital Govt to agree to Trieste settlement if coupled with some major international action of this nature in Italy's favor.

A useful preparatory step might be a proposal in the UN or the CFM to have an international commission sent to the satellite states to investigate compliance with the mil clauses of the satellite peace treaties. Veto of such resolution by the USSR wld be helpful

in dealing with any subsequent action by USSR to enforce Ital treaty.

Wld be advantageous to have all steps carefully prepared thru diplomatic channels in order that statements of policy by NATO members wld follow quickly upon receipt of Ital communication and before USSR or satellites cld take delaying action in UN Security Council. For this reason Italy might withhold communications to signatories until NATO Council ready to act. Wld also be advantageous if matter cld be handled in UN Assembly rather than Council in order to secure passage of a resolution supporting or at least recognizing justice of Ital position. Soviet recourse to Art 87 possible but shld present no difficulties.

Believe after preliminary sounding of Brit Govt we shld approach Brit, Fr and Ital Govts almost simultaneously stressing to Itals importance of obtaining Yugoslav concurrence in these plans and urging a Trieste settlement as part of the package.

DUNN

No. 279

765.00/6-151: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET ROME, June 1, 1951—6 p. m.

5466. Election results now available confirm indications in Embtel 5425 May 30. [2] However, we would caution against generalization on national scale or too hasty conclusions suggested by use of percentages and vote totals in this first group of elections. Communists of course stress comparisons with 1948 and non-Communists with 1946 but neither comparison is wholly valid. Following general considerations occur to us:

(1) As a whole, strength of democratic parties is stable. Coalition principle has been vindicated and its necessity reinforced. Christian Democratic party remains central core of its strength.

(2) Results of displacing Communist administrations from many large and small city and provincial administrations will have cumulative favorable effect which will show up to advantage of govt coalition in next national elections.

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[1] Repeated to Paris and London.

[2] Telegram 5425 contained a brief analysis of preliminary election returns based on newspaper accounts. (765.00/5-3051)

(3) Communist ability to maintain voting strength of itself and PSI (see also Embtel 5465 May 31 [3]) is disappointing but not alarming when considered against background of: (a) govt was not successful in posing national emergency and pertinency of international issues as in 1948; (b) Communists exploited local issues and "opposition" to CD's and concealed almost all traces of true Stalinist theory and practice; (c) there was no reason for discontented propertyless voter to register opposition to present govt.

(4) CD's have lost over 1948 in those provinces but have gained over 1946. Insofar as losses have national significance they may be attributable (a) to return to rightful owners of voters borrowed in 1948 under stress of national emergency; (b) some dissatisfaction with govt's internal policies; (c) natural movement against party in power in off years election; (d) higher degree of abstention than in 1948.

Sicilian regional elections June 3 and municipal-provincial elections in 30 more provinces north, central and southern Italy June 10 will perhaps give further indications of national significance.

DUNN

[3] Telegram 5465 concluded, based on the voting results in the largest industrial centers in northern Italy, that the voting strength of the Italian Communist Party continued to be a measure of working class discontent which was easily expressed in a vote without risking violence of any sort. (765.00/6-151)

No. 280

765.00/6-651: Telegram

The Ambassador in Italy (Dunn) to the Embassy in the United Kingdom [1]

CONFIDENTIAL ROME, June 6, 1951—7 p. m.

606. Govt leaders, civilian and mil, and most of intellectual Itals have instinctive recognition of security threat to Western Eur and Italy in particular (urtel 446, June 4 [2]). Reaction to this recognition varies but insofar as gen public is concerned, it is generally passive except at times of crisis such as Czechoslovakia and Korea. Most leaders however are keenly aware of continuing threat and are doing utmost to educate public opinion. Preoccupied with fears of inflation and need for large scale expenditures for social reforms, some economic ministers still do not have full appreciation of urgency of def preparations.

[1] Repeated to the Department of State, which is the source text.

[2] This telegram has not been found in Department of State files and apparently was not repeated to Washington.

Nature of threat and resulting necessity NAT and Ital def effort has been one of principal themes of current municipal election campaign. It has been emphasized in major speeches of De Gasperi and other govt party leaders. Commies on other hand stress, not without some success, "peace," absence of any real threat to Italy, and advantage of "neutrality".

Effect of Gen Eisenhower's appt and stationing of additional US troops in Eur as evidence we intend defend Eur and not just liberate it, have had incalculable effect in boosting morale and in helping govt sell Itals on worthwhileness of def effort.

Natl morale is slowly being raised in direct proportion to improvements in equipment and training of Ital forces. Confidence is slowly being established that Eur forces and additional US forces being sent to Eur will be capable of effective resistance to aggression.

Informational activities have chiefly taken form of speeches by natl leaders, especially during parliamentary debates on additional def appropriation and during current election campaign. Civic comite org, which is polit expression of powerful church affiliated "Catholic Action," has been very active in election campaign in exposing Commie frauds, defending NAT and need for def program.

Democratic parties and orgs vigorously attacked and dramatized Commie threat in election poster campaign. Min of Def and other high officials participated in ceremonies on occasion arrivals important MDAP equipment such as tanks and destroyer escorts and these events well publicized.

Ital Communism has in recent local elections shown power to retain and slightly increase voting strength of itself and captive Socialist Party headed by Nenni. Together they are still able obtain about one third of total vote. Recent campaign was, however, fought by Commies on local issues and long-standing grievances which wld operate under present conditions in Italy against any govt, as well as on "peace," opposition to rearming, etc. Apart from vote-getting power, Ital Communism is weaker on all grounds. It does not have exclusive control over organized labor which it had three years ago; it has lost ability to call out even its own followers for large-scale polit strikes; for subversive purposes it is very markedly weaker in relation to strengthened and improved natl police forces; and it is tending to lose support from intellectuals (e.g., defections of Cucchi and Magnani, etc.).

DUNN

No. 281

765.00/6-751: Telegram

The Ambassador in Italy (Dunn) to the Embassy in the United Kingdom [1]

CONFIDENTIAL ROME, June 7, 1951—1 p. m.

607. Although not specifically requested urtel 446 June 4, [2] fol polit summary may be useful. Blessed with a firm Parliamentary majority and a courageous, farsighted leader in Pri Min de Gasperi, Italy's Coalition Govt is one of the most stable in Eur today. While Cab reshuffles occur from time to time, there seems little possibility that, prior to the next elections in 1953, moderate govts will ever find themselves unable win approval of any vital measure. This spring's municipal and provincial elections show that the moderate, convincedly democratic parties still control a solid 59 percent of the electorate. The Christian Democrats still provide the backbone (over two-thirds) of the democratic alignment, in spite of their losses from their overwhelming vote in 1948. Of the other democratic parties, the conservatives, represented by the Liberal Party, seem to be gaining ground and the moderate leftists (the Republicans and Democratic Socialists) to be remaining stationary or even losing ground somewhat. Extreme right-wing elements are regaining some of their lost ground, but still represent only about 8 percent of the electorate. The Commies and their allies still represent about one-third of the electorate, and this spring's elections indicate that they have gained slightly, not lost, in popular support since 1948. This shld serve as a reminder of the resiliency of the appeal of revolutionary socialism in Italy based on popular discontent with things as they are, and on longstanding anti-governmental and anti-clerical attitude inherited from the past. This does not, however, negate the lesson of recent years which is that this same Commie-left-wing Socialist following will refuse to lend effective support for campaigns clearly in Soviet rather than in Italian interests.

Italy's principal problem, in spite of ECA aid which has saved her from going completely on the economic rocks, remains the dilemma posed by mass unemployment on the one hand and national poverty on the other. The unemployed still total over 2 million in a working force of about 18 million, and additional hundreds of thousands are only partially employed. On the other hand, because of Italy's basic poverty, the financial and other resources available to

[1] Repeated to the Department of State, which is the source text.
[2] See footnote 2, *supra*.

meet the country's needs are strictly limited and the threat of inflation is ever present. Economic policy: this becomes the point of departure for discussion of almost all measures—from rearmament to land reform, social security reform and tax reform. One school holds that [at?] all costs more must be done to alleviate unemployment. The other, while agreeing in principle, objects that incautious additional measures wld start a new disastrous inflational spiral which wld cripple the entire economy. While the govt has pushed through several important reforms and taken various steps to relieve or limit unemployment, its productive and credit policies still seem to reflect in the main the attitudes of Minister of the Treasury Pella who puts principal importance on the necessity for preventing inflation.

DUNN

No. 282

665.001/6-1951

Memorandum by the Director of the Office of Western European Affairs (Byington) to the Assistant Secretary of State for European Affairs (Perkins) [1]

TOP SECRET [WASHINGTON,] June 19, 1951.

Subject: Revision of Italian Peace Treaty

On January 11, 1951 the President approved NSC 67/3 that the United States should:

"take diplomatic action as appropriate to assure that the Treaty limitations do not prevent Italy from meeting its joint defense obligations."

Preliminary informal conversations have been held with the British Embassy as early as last fall. Diplomatic action has since February been suspended, however, because of the possibility that premature unauthorized publicity might jeopardize the negotiations in Paris to formulate an agenda for a meeting of the Foreign Ministers of the US, UK, France, and USSR. Tripartite agreement to use in an agenda the word "fulfillment" in connection with the peace treaties has lent additional importance to the desirability of postponing further consultation on the problem posed by the Italian Peace Treaty.

The Italian Government is now publicly calling for removal of the moral stigma of the limitations and obligations imposed by that

[1] Drafted by Greene and Byington.

Treaty. The Italian Government is greatly concerned that progress toward a Japanese Peace Treaty, which will be more favorable than the Italian Peace Treaty, especially as regards rearmament and reparations clauses, and progress toward normalization of the western allies' relations with Germany places Italy in an invidious position, with consequent adverse effect on Italian public opinion.

Sentiment in Congress has been steadily mounting and there is every prospect of a strenuous campaign to require executive action to revise the Treaty without further delay. In the Watkins Resolution, the U.S. Senate has already expressed the view that the United States should seek to eliminate all provisions of the Italian Peace Treaty which limit Italy's contribution to the defense of Western Europe.

The Embassy at Rome has pointed out in its telegram no. 5376 of May 28, [2] attached, that the cumulative effect of such developments "will before long reach a point where failure to take action will be so conspicuous as to place in doubt the sincerity of Western and especially of United States policy toward Italy."

Continued delay by us on the ground that we must not weaken our negotiating position vis-à-vis the Soviet Union risks contributing to the conclusion in Italy and elsewhere in Western Europe that the Soviet Union can by intimidation block United States and allied policy.

The Associated Press recently disclosed that Ambassador Dunn has recommended that "the United States support Italy's request to be allowed to rearm."

Conclusions:

The reasons for postponing diplomatic action with Great Britain and France leading to a consideration of this question are now outweighed by critical developments in Congress and in our relations with the Italian Government.

Recommendations:

1. We should undertake without delay further preliminary informal confidential discussions with the British and French Governments. Attached is an *aide-mémoire* which if you approve can be handed to the British Embassy here as a basis for such discussions. A similar memorandum would be handed to the French Embassy. [3]

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[2] Document 278.

[3] This recommendation was executed on June 22 when Byington held separate conferences with representatives of the British and French Embassies during which he informed them of the Department of State's change in positions and gave them a copy of the *aide-memoire*. The memoranda of conversation are in file 665.001/6-2251.

2. Thereafter, the Italian Embassy should be informed that we are having preliminary discussions on this subject with the British and French and that we intend to consult fully with them as soon as we are in a position to offer suggestions for their consideration. We can continue to emphasize that we do not intend to make any public statements regarding revision of the Treaty as long as such statements may jeopardize current conversations with the Soviet Union. [4]

[Attachment]

The Department of State to the British Embassy [5]

TOP SECRET

AIDE-MÉMOIRE

The proposals advanced by the Foreign Office in the memorandum of the British Embassy dated February 27, 1951, [6] concerning the military provisions of the Italian Peace Treaty have been carefully considered. The Department of State and the Foreign Office agree that there is undeniably a need for Italy to take certain steps in the future beyond the limitations of the Peace Treaty to carry out its obligations under the North Atlantic Treaty. The questions upon which further agreement is necessary involved the substance, procedure, and timing of appropriate diplomatic action to support Italy in taking those steps.

In the latter respect, the situation has been drastically altered since receipt of the above-mentioned memorandum. Italy has now publicly called for removal of the moral stigma of the limitations and obligations imposed by that Treaty. In the Department of State's view, the cumulative effect of continued discussion and other developments will soon be such that the failure of Italy's allies to respond will be so conspicuous as to place in doubt the sincerity of their policies toward Italy.

Among the other developments which affect the action henceforth to be taken, the Department has in mind:

1) Publicity surrounding discussion of a Treaty of Peace with Japan, especially with reference to rearmament of Japan, and

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[4] The second recommendation was also fulfilled on June 22 when the Italian Ambassador made a call on the Secretary of State before his trip back to Rome. A memorandum of this conversation is in file 665.001/6-2251.

[5] Drafted by Greene and cleared in draft with EE, RA, L, and S/ISA. The source text is a copy in file 665.001/6-2251.

[6] Regarding this British memorandum, see footnote 1, Document 256.

progress toward normalization of the western allies' relations with Germany, tend to place Italy in an invidious position. Unless affirmative diplomatic action is taken, the Italian contribution to the defense of Western Europe may be adversely affected.

2) Considerable progress is being made toward Italian rearmament. In addition to the strictly legal importance of this progress to the question of the Peace Treaty limitations, the psychological importance of action to encourage further progress and the necessary sacrifices must figure largely in our calculations.

3) The public discussion in Italy of this question has been paralleled in the United States by discussion in the Congress of the United States, where the Senate has formally expressed the view that the United States should seek to eliminate all provisions of the Italian Peace Treaty which limit Italy's contribution to the defense of Western Europe.

The Department considers that agreement to ignore Italian violations of the military provisions of the Peace Treaty would fail to meet satisfactorily the situation confronting Italy and her allies. While it is recognized that affirmative action to revise the Treaty presents legal problems, these can be minimized by avoiding denunciation of the Peace Treaty by Italy or by Italy's allies and by so acting as to place the Soviet Union in the politically disadvantageous position of obstructing correction of injustices to Italy.

The military provisions of the Italian Peace Treaty were drafted on the assumption that the United Nations in which Italy would be accepted as a full member, would assure lasting peace. The Soviet Union has effectively destroyed the basis for this assumption. Communist aggression in Korea and increasing world tension resulting from Soviet policies supporting military, economic, and political aggression have increased the urgency of prompt and effective action to permit Italy to participate to the fullest extent of its capabilities in the common defense of the North Atlantic Community.

From a military viewpoint, the restrictions imposed by certain of the military clauses of the Peace Treaty are incompatible with the objectives of NATO. It is apparent that the successful defense of Western Europe will require a greater contribution of military manpower by Italy than is permitted by the terms of the Peace Treaty. Italy, with the forces at present allowed under the Peace Treaty, could not defend its northern frontiers in the event of an attack. The Peace Treaty also places strict limitations upon the type and quality of weapons and matériel which the Italian armed forces need for full combat effectiveness. In addition, the Peace Treaty by preventing Italy from manufacturing or possessing more war matériel than is needed for its own forces under the Treaty precludes Italy's full participation in the rearmament production effort of the North Atlantic Community.

Since the Soviet Union has protested the adherence of Italy to the North Atlantic Treaty, additional protests may be anticipated in connection with greater Italian participation in the defense effort. It is the view of the Government of the United States that an affirmative, forthright approach provides the best reply to any Soviet protests. An attempt at subterfuge would provide the Soviet Union with excellent propaganda material and would place the Governments supporting the Italian action in the awkward position of defending specific violations.

Recognizing that it is important to the security of the members of the North Atlantic Treaty Organization that Italy meet in full its defense obligations as may be agreed in the North Atlantic Treaty Organization, notwithstanding the military limitations of the Italian Peace Treaty, the United States Government proposes that the Governments of the United Kingdom, France and the United States agree in principle that public action is required to assure that the Treaty limitations do not prevent Italy from meeting its joint defense obligations.

Ample justification for this action is provided by (1) the threat to the peace of the world and security of Italy resulting from the Communist aggression in Korea, and threats of Communist aggression elsewhere, (2) the failure of the Soviet Government to honor its agreements and obligations including those under the satellite Peace Treaties, and (3) the rearming of the satellite states in violation of their peace treaties.

The Department of State also proposes that, in view of the importance of obtaining the concurrence of the Yugoslav Government, among other signatories of the Peace Treaty, in whatever course is to be adopted, the occasion might be taken further to explore the possibility of achieving Italo-Yugoslav agreement on a settlement of the Trieste question. Such a settlement, if achieved, might well be a part and parcel of action on other clauses of the Treaty.

Once agreement in principle is reached between our three governments, they would propose to the Italian Government that the Four Powers formulate an agreed procedure regarding revision of the Italian Peace Treaty. This procedure might include the following steps:

1) The Italian Government would approach confidentially all signatories of the Italian Peace Treaty which are members of NATO to indicate that it desired to secure agreement in principle, presumably in the Council of Deputies, that the Italian Peace Treaty should not infringe the Italian right of self-defense in the present situation or Italian participation in collective defense under the North Atlantic Treaty. The US, UK and France would support the

preliminary Italian approach where desirable and would also support the Italian position in the ensuing discussion in the Council of Deputies.

2) Once agreement is reached by the NATO Deputies, the Italian Government would approach friendly non-NATO signatories, supported where desirable by the US, UK and France, to lay the basis for the greatest possible number of favorable replies to an Italian request that Italy be relieved of the limitations contained in the military provisions of the Peace Treaty.

3) After completion of diplomatic preparations, the Italian Government in its first formal declaration, would address notes to all signatories and the North Atlantic Council or the Council of Deputies. This note might present the following line of argument: It was not the intent of the Treaty of Peace with Italy to prevent Italy from defending its frontiers. The Peace Treaty was negotiated on the assumption that membership in the United Nations by the Allies and Italy and adherence to principles of international law would guarantee the security of Italy and other nations. Nevertheless, the Treaty envisaged the limitations of the military provisions as temporary and provided for their revision by either of two procedures set forth therein.

Post-war developments have not fulfilled the assumptions on which the Italian Peace Treaty is based and in addition have confirmed the impossibility of revising the military provisions in accordance with the procedures established in the Peace Treaty. Instead of peace, the free nations are faced with war already begun in Korea and with the threat of further Communist aggression. Furthermore, the military clauses of the Italian, Bulgarian, Hungarian, and Rumanian Peace Treaties were negotiated concurrently and were intended to create a balanced security in Europe. Violations of the military restrictions of the Bulgarian, Hungarian, and Rumanian Treaties has created an entirely new situation which constitutes a further threat to the integrity of Italy and which justifies review of the military clauses of the Italian Treaty. (A necessary preliminary to this point will be formal protests by the US, UK, and France to the three satellite governments at the violations of their respective treaties.)

Because of these threats to the peace of the world, Italy has joined with other free nations in the North Atlantic Treaty for their collective defense. Italy is, therefore, obligated to assume its full share in the collective defense of the North Atlantic Community and calls upon the signatories of the Peace Treaty to release Italy from the limitations of the military provisions of the Peace Treaty.

4) As soon as a note along these lines is received, it would be answered immediately by all friendly signatories and the NATO Council or the Deputies, interposing no objection to the Italian proposal and extending support for the Italian action. The replies might (1) recognize the justice of the Italian position and (2) conclude by expressing readiness to negotiate at a suitable time a document which would more accurately reflect the spirit of bilateral relations with Italy than the Peace Treaty.

The wording of all communications and statements should avoid denunciation of the Italian Peace Treaty by Italy or countries supporting the Italian action. If the Soviet Union had recourse to the provisions of Article 87 of the Peace Treaty, the US, UK, and France would support the Italian action.

WASHINGTON, June 22, 1951.

No. 283

765.00/6–2051: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

CONFIDENTIAL ROME, June 20, 1951—4 p.m.

5804. FonOff advises us that govt highly pleased results Adenauer visit [2] and that altho no substantive decisions taken consider frank and friendly exchange views govt leaders has measurably strengthened cause European unity and cooperation. We understand that Adenauer, De Gasperi and Sforza consciously avoided involvement controversial issues and that no serious effort made by accompanying technicians to resolve econ or other problems on this occasion. Ital Embs Washington, London, Paris instructed inform three govts fully on conversations. [3]

We understand from members German del that Adenauer personally greatly pleased by reception and, with exception Commie inspired propaganda, almost complete absence recrimination on bitterness held over result recent past.

DUNN

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[1] Repeated to Bonn.

[2] Chancellor Konrad Adenauer visited Rome on June 14–18 for a series of meetings with De Gasperi and Sforza. This was the first time since before World War II that the head of a foreign government had officially visited the Italian capital.

[3] Mario Luciolli, Counselor of the Italian Embassy, held a meeting with Byington at the Department of State on June 20 during which he summarized the results of the Adenauer-De Gasperi talks. A memorandum of this conversation is in file 740.00/6–2051.

No. 284

665.001/7-251

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington) [1]

TOP SECRET [WASHINGTON,] July 2, 1951.

Subject: Italian Peace Treaty

Participants: Monsieur de Margerie, French Embassy
Mr. Homer M. Byington, Jr.—WE
Mr. Howard J. Hilton, Jr.—WE

Monsieur de Margerie called to inform the Department of the Foreign Office's preliminary reaction to our *Aide-Mémoire* of June 22, 1951. [2] He said that the Foreign Office did not agree that the question of the revision of the military provisions of the Italian Peace Treaty occupied an important place in Italian public opinion. He said that other questions such as admission into the United Nations, the future of Trieste, and similar issues were of much greater importance to the Italian people than is the question of revision of the military provisions of the Italian Peace Treaty.

He also mentioned that the Foreign Office did not agree that the argument concerning the comparison between the provisions proposed for the Japanese Peace Treaty and the provisions in the Italian Peace Treaty was of great importance. He mentioned that the Japanese Peace Treaty would probably seriously limit Japanese war potential by depriving the Japanese of various islands which were of military importance.

In addition, the Foreign Office felt that there was much that Italy could do within existing limitations of the Italian Peace Treaty to improve the effectiveness of existing forces. He specifically mentioned that the 250 billion lire program for additional military production was about all that the Italian economy could sustain and that production of the items contemplated in that program would not violate the treaty. In any event, it would be possible to ignore minor violations for a period of time. He concluded that there was, therefore, no great urgency necessitating immediate action, and on the contrary it might be advantageous from a broader political view, including relations with the Soviet Union, to delay action until a more appropriate time.

Monsieur de Margerie emphasized, however, that the Foreign Office was in basic agreement with us that ultimately some action

[1] Drafted by Byington and Hilton on July 6.
[2] Attached to Document 282.

would have to be taken to remove the restrictive effect of the military provisions of the Italian Peace Treaty. The Foreign Office therefore agreed to tripartite talks with the British, of an informal character, regarding the problems involved in the revision of the Italian Peace Treaty.

In commenting on the points made by Monsieur de Margerie, I emphasized that we had been informed by the Embassy at Rome that there was great pressure from Italian public opinion for revision of the Italian Peace Treaty. There exists a growing sentiment among nationalist elements that the De Gasperi Government was unable to protect Italy's international interests and the recent elections had, in fact, seen a trend to the extreme right. It was very important to all of us that the nationalist elements in Italy should continue to support a moderate coalition government. In addition, I referred to the mounting pressure from Congress and the American people that we should take action to remove the limitations contained in the military provisions of the Italian Peace Treaty. I pointed out that if we are agreed on the ultimate necessity of taking action, then it would appear to be to our advantage to act now and to receive the benefit of such action rather than to act later when bitterness and feelings of animosity in Italy and elsewhere would lead to charges that we had been unwillingly pushed into action by pressure.

Regarding the Japanese Peace Treaty, I said that the Italian Government had indicated to us its concern that the Japanese Peace Treaty would be much more liberal than the Italian Peace Treaty; therefore, I did not agree that we should dismiss this possibly well-justified apprehension without further thought.

As to the desirability of further delay because Italy had not yet reached treaty strength, I pointed out that this actually was not correct with respect to the need for Italian military production, planes and other equipment as well as further recruitment to meet the medium term defense plan. We would be shortly face to face with this problem and preparation to meet it was most urgently necessary. Connivance to ignore the treaty provisions did not seem to us adequate to meet Soviet charges or to satisfy Italian and our own public opinion. It was, therefore, most important that the French, British and U.S. Governments agree as soon as possible upon the action which might be taken to achieve our desired objective of removing the restrictive effect of the military provisions of the Italian Peace Treaty.

I asked Monsieur de Margerie if considerations relating to the USSR were the basis for the view that action on the Italian Peace Treaty should be delayed. He replied that this was certainly a factor although it was not necessarily the basic consideration. In

commenting on this observation, I expressed the view if we delayed action merely because of possible Soviet protest despite the fact that justification for our action had been created by Soviet policies and maneuvers, we might be open to the suspicion that we can be paralyzed by fear of the Soviet Union.

I mentioned that we had as yet, received no comment from the British but as soon as the British reaction is known I would communicate further with him.

Monsieur de Margerie also mentioned that the Italian Ambassador at Paris had approached the French Foreign Office regarding the revision of the Italian Peace Treaty. The Italian Ambassador was informed that the French Government was sympathetic to the Italian position, but could not discuss it at this time; however, bilateral discussions might take place between the French and Italian representatives to NATO, regarding a possible declaration which might be made by NATO in connection with the Italian Peace Treaty. The declaration, which might form the subject of such conversations, would not be substantive in effect and would not be designed to accomplish the objective proposed in our *Aide-Mémoire* of June 22, 1951. What the French had in mind was more a declaration recognizing the moral position of Italy and her position of equality among the family of nations.

No. 285

665.001/7-751: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

TOP SECRET PARIS, July 7, 1951—5 p.m.

138. Fr views with respect revision Italian peace treaty (Deptel 6143 to London June 26, rptd Paris 7104, [2] London's 98 to Dept July 6, rptd Paris 31, Rome 5 [3]) were informally discussed with Emb officer by Boegner, chief FonOff Southern Eur Div, who said more thorough presentation Fr counterproposals will be made by Fr Emb Washn. Fr are not adverse to removal of restrictions and

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[1] Repeated to London and Rome.

[2] Telegram 6143 repeated the text of telegram 5876 to Rome, June 25, to Paris and London. (665.001/6-2651) Telegram 5876 stated that informal, secret consultations with the British and French Embassies in Washington had begun concerning the revision of the Italian Peace Treaty and that the substance of these discussions would not be revealed to the Italians. (665.001/5-2851)

[3] Telegram 98 reported that the British Foreign Office felt that revision of the Italian Peace Treaty should be done by means of bilateral agreements between Italy and the other treaty signatories because this method was less provocative to the Soviets than the one suggested by the United States. (665.001/7-651)

disabilities from Italy, but prefer that this be done without formal revision, largely because of doubts as to how contemplated revision cld be accomplished without placing us more in the wrong than if we facilitated and tolerated *de facto* setting-aside of such restrictions.

FonOff legal experts for instance have pointed out that we made major point at Danube conference that revision of treaties must have consent of all signatories, and although such recent precedents are not considered controlling, FonOff evidently attaches importance to them. Method whereby in absence of Sov agreement we proceed to revise treaty without them wld, in Fr view, quite aside from legal dubiousness, confer no advantages upon ourselves and Italians that their more pragmatic approach wld not bring.

Fr wld merely have Ministers issue joint declaration expressing desirability of allowing Italy to make contribution to Western defense and becoming more closely associated with such defense. If Sovs subsequently protest when Italians proceed beyond treaty limits on basis of our declaration, we wld reject such protest, Boegner said, by well-documented reference to satellite treaty violations.

One factor in FonOff position according to Boegner is their differing appreciation of Italian public opinion, which in Fr view is not much concerned with legal principles involved in treaty revision. According to FonOff's info, association with Western defense considered by Italian public opinion to be matter of practice rather than of political rights. [4] By contrast, Trieste issue is one which finds Italian public opinion according to FonOff extremely alert and sensitive to political and legal considerations.

BRUCE

[4] On July 17, the Embassy in Paris reported in telegram 356 that the French Foreign Ministry was considering proposing that the U.N. General Assembly deal with the matter of the revision of the Italian Peace Treaty because of the Soviet veto of Italy's membership in the United Nations. This recommendation had not yet received the approval of Schuman. (665.001/7-1751)

No. 286

865.00R/7-1251

Memorandum of Conversation, by George A. Tesoro of the Office of Western European Affairs

CONFIDENTIAL [WASHINGTON,] July 12, 1951.

Subject: ECA Allotment for July

Participants: Mr. Egidio Ortona, Counselor, Italian Embassy
Mr. George A. Tesoro—WE

Mr. Ortona called at his request and said that adverse political repercussions would arise if Italy were to be excluded in the division of the interim funds made available to ECA by the Congress for the month of July (145 million dollars).

He stated that he did not want to discuss the economic aspects of the problem, but wanted to stress the political danger involved in the proposed action, as discussed at a meeting the same day in ECA.

I told Mr. Ortona that I was not aware of how ECA proposed to divide the 145 million dollar fund, but that obviously, under the one package formula which had been enforced for the last several months, the interim allotment of funds was to be made primarily in the light of each country's contribution to mutual security. Incidentally, I reiterated to Mr. Ortona the United States Government's dissatisfaction at the Italian submission to NATO which seems to stretch the 250 billion lire extraordinary appropriation over an 18-month instead of 12-month period. Mr. Ortona replied that obviously the Italian Government was the only judge of the political, as well as of the economic limitations obtaining in Italy, and that after the recent elections and the recently developed Parliamentary situation, the Italian Government certainly was not in a position to request of Parliament a further defense appropriation in the fall of this year. I indicated to Mr. Ortona that, whatever the merits of the case, the tentative figure of 275 million dollars indicated in the Congressional Presentation was predicated on a certain Italian defense effort and that consequently, if this defense effort decreased, *ceteris paribus* the United States aid should be reduced *pro rata*.

No. 287

665.001/7-2051

Memorandum of Conversation, by Joseph N. Greene of the Office of Western European Affairs

SECRET [WASHINGTON,] July 20, 1951.

Subject: Italian Peace Treaty

Participants: Mr. J. G. Boyd—British Embassy
Mr. J. N. Greene, Jr.—WE

Mr. Boyd came in to give me the following statement of the preliminary views of the British Foreign Office on the question of revision of the Italian Peace Treaty:

"It is important that the policy of the British, French and United States Governments on the question of Trieste and the revision of the Peace Treaty should be closely coordinated and Mr. Morrison hopes shortly to send to the British Embassy in Washington detailed comments on the American proposals for Treaty Revision contained in the State Department's *Aide-Mémoire* of June 22nd. In the meantime the British Embassy, Washington has been instructed to inform the State Department that, while Mr. Morrison recognizes that there are strong arguments in favour of Treaty Revision, there are also very weighty arguments against it. In particular, there is the effect which any plan for Treaty Revision is likely to have on Yugoslavia and Mr. Morrison considers it most important that full consideration be given to this aspect of the case before any decision is taken.

"Mr. Morrison's preliminary view is that it would be premature to attempt any revision of the Italian Peace Treaty, and that the Italian desire to have the stigma of the Peace Treaty removed and the desire to ensure that the Italian Government can play their full part in N.A.T.O. should be met by a declaration by the three Governments which would indicate that in their relations with Italy they intend henceforth to be guided by the spirit of the Atlantic Alliance, and that they recognize in principle that Italy should enjoy the legitimate right of self defense.

"Mr. Morrison thinks that quite apart from the question of the exact wording, the three powers will have to consider very carefully whether even a declaration of this sort will not have to be counterbalanced, so far as Yugoslavia is concerned by some attempt on the part of the three powers to ensure that a real effort is now made by the Italians and the Yugoslavs to settle the question of Trieste, and possibly by a declaration by Italy to the effect that once that question had been settled no territorial issues will remain outstanding between Italy and Yugoslavia.

"Mr. Morrison's views on these difficult questions will be communicated to the British Embassy as soon as possible for discussion with the State Department, but he is anxious to ensure that in the meanwhile no action is taken by any one of the three Governments without the closest consultation together on the question of the future of Trieste and the revision of the Italian Peace Treaty."

Mr. Boyd also said that the Italian Ambassador at London had called on the Foreign Secretary on July 13 to request revision of the Peace Treaty. Mr. Morrison had replied that he was in principle sympathetic, but would have to concert with the United States and French Governments. The Italian Ambassador observed he thought that the initiative should be taken by HMG in this matter, and Mr. Morrison commented that the problem is to find the best way of achieving the objective. He pointed out that there is a real difficulty in connection with the satellite treaties and our efforts to

charge violations of those treaties. He was inclined to feel that it might be better, rather than to revise the Italian Treaty, to make some sort of declaration which would help Italian public opinion. He said revision might come someday but that now did not seem to be a good time. He mentioned that the Yugoslav position is relevant and said that it is important that the Italian Government and HMG be on good terms with the Yugoslav Government. The Ambassador left, after saying that the matter would be treated most secretly and reiterating his view that HMG should take some initiative.

In this connection, Mr. Boyd commented that the Foreign Office had learned that the Italian Foreign Office had actually issued a communiqué saying that instructions had been sent to the Italian representatives in London, Paris and Washington to request revision of the Treaty. I told Mr. Boyd that, although I did not believe Mr. Luciolli had said anything similar to the Secretary of State, he had, before his interview with the Secretary, urged on me that the United States Government take the initiative so that, as he put it, the French or British Governments would not get out ahead of us. I said that I had seen what Mr. Luciolli told me were his instructions about seeing the Secretary, and they were very brief; perhaps it was just a coincidence of bright ideas that the Italian representatives both in London and Washington urged the respective governments to get going first.

With reference to the last paragraph of the Foreign Office's statement of its views, Mr. Boyd said that he was sure it should not be taken as criticism of the Department for releasing to the public the nature of the Secretary's reply to Mr. Luciolli's representations here. He said that the same statement had gone to the British Embassy in Paris and he assumed it was directed at the Italian Ambassadors' idea of taking the initiative.

No. 288

765.001/7-2651: Despatch

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET
No. 220

ROME, July 26, 1951.

Subject: Attitude of the Italian Government Toward Communism

In amplification of my telegram No. 309 of July 18, 1951, [1] there follows a summary of the discussions on the subject of Communism between Prime Minister De Gasperi and members of his Cabinet and members of the United States Senate Foreign Relations Committee during the latter's visit to Rome. [2]

Senator Wiley said that all were agreed that the great threat came from Soviet Russia. It was therefore natural that we were concerned at the number of Communists in Italy. Recognizing that all over the world Communists were attempting to infiltrate themselves into positions of power, he wished to ask the Prime Minister what the situation was in Italy.

The Prime Minister replied that although the Government had made a great effort he had to admit the seriousness of the situation reflected by the fact that the number of Communist votes had not diminished. He referred to the efforts that had been made to combat Communism by improving social conditions but pointed out that in the absence of large-scale immigration the task was very difficult. The Government had undertaken such measures as land reform and was continuing this program, but up to the present so far as votes were concerned the result had been to arouse the opposition of the land owners but not to acquire the support of those who would benefit from the program. The Prime Minister also frankly admitted that post war errors had been made in dealing with the Communists. They had mistakenly thought that by working with them it would be possible to win them over. He wryly referred to the fact that he had himself formed a government with Communist participation. They now realized that it was impossible to work with the Communists; on the other hand he said he could give assurances that the Government was in a position to deal with any attempt of the Communists to stir up revolt.

Senator McMahon referred to the fact that there were many Italians in his state and that almost without exception they made excellent democratic citizens who fought valiantly to defend democracy. It was therefore clear that liking for Communism was not in the Italian blood. How therefore would the Prime Minister account for the fact that Communism had such an appeal in Italy? The Senator also asked why it was that there were more Communists in north Italy where conditions were much more prosperous than in the south where the Communists had not made much progress.

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[1] Telegram 309 briefly summarized the conversation which is more fully recorded in this despatch. (765.00/7-1851)

[2] Members of the Senate Foreign Relations Committee made a visit to several European capitals in July of 1951, including Rome and Belgrade. For a report of the visit to Belgrade, see telegram 104 from Belgrade, Document 916.

He wished to know what the Prime Minister thought could be done to combat the Communism.

The Prime Minister agreed that Italians were not by nature Communist. He explained that more Communists succeed in the north by the fact that the workers there had bettered their lot since the war in comparison with the southern Italians and they mistakenly thought that by being Communists they could protect their hold on this greater prosperity. He explained this by saying that after the war the northern factories had vast numbers of surplus workmen on their payrolls. The Communists had succeeded in identifying themselves with the movement to prevent employers from discharging these excess workmen.

The Prime Minister said he thought there were two approaches to the problem. One was a greater propaganda of ideas. The second was greater severity in dealing with the Communists. He explained that democracy was a young and somewhat delicate plant in Italy and they could not go outside the constitution in attempting to suppress the Communists without risking the destruction of democracy. Nevertheless there were many measures the Government could take and this was one of the subjects involved in the current governmental crisis. He felt certain that the new Cabinet would agree to take more energetic action to suppress Communism.

Senator Smith inquired whether the very fact of Communist concentration in the industrial north was not a threat in time of emergency.

The Prime Minister replied that he did not think the Communists were in a position there to do much harm. Many of the most important industrial cities had elected democratic administrations in the recent elections. Moreover the Italian police force was now one of the best in Europe and authorities in other countries were coming to Italy to study the Italian police system. Moreover the Minister of Defense had forces at his disposal to deal with the problem if this should become necessary.

The Minister of Defense Pacciardi elaborated on this and pointed out that the real danger came only from the hard core Communists who were not numerous. Most of the Italian Communists were more interested in jobs than in serving Moscow and had shown themselves willing to work on defense orders. He also cited the example of Leghorn where the United States is establishing a Line of Communications base and where the Communists had been tearing up their Communist cards publicly in the hope of securing employment. He also cited the fact that although there were undoubtedly Communists in the army, army units had never failed to carry out

their orders even when called upon to suppress Communist instigated riots or demonstrations.

For the Ambassador:
LLEWELLYN E. THOMPSON, JR.
Minister

No. 289

665.001/7-3151 Telegram

The Ambassador in Italy (Dunn) to the Secretary of State [1]

SECRET ROME, July 31, 1951—11 p.m.

538. Emb understands Itals are endeavoring obtain support their position re treaty revision from as many UN member govts as possible, with emphasis, of course, on LA states (Deptel 17 July 27 to Asuncion [2]). It is our impression Itals not yet decided on any specific UNGA action and are not at present at least thinking of UNGA as possible means of actual, legal revision. Have in mind more the possibility of a UNGA resolution expressing moral support Ital demand for revision.

I note that Dept inclined oppose raising this question in UNGA (Deptel 17 to Asuncion). Since we assume Soviets are likely raise this matter in UN we had thought preferable that we take the initiative in order to have matter presented in manner most favorable to us. Wld appear advantageous to have public endorsement large number of states outside NATO for action we propose (this predicated on assumption revision will go beyond military clauses which we consider most essential), wld also appear that Assembly discussion cld be exploited to emphasize Soviet veto of Ital UN membership.

Realize many factors this decision not known here but assume one of most important is attitude Yugoslavia. Brit Emb has informed us of Peak's recent conversation with Kardelj. We see considerable danger in linking treaty revision to question Trieste in view urgency of former and slight apparent prospect settlement latter question. Since Yugoslavia is taking a position as intransigent as that of Ital wld hope we cld exploit this when we approach

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[1] Repeated to London, Paris, Belgrade, and Trieste.

[2] In response to several inquiries from Latin American countries about revision of the Italian Peace Treaty in the General Assembly, the Department of State informed the Embassy in Paraguay in telegram 17 that consultation with nations who were not signatories to the treaty was not contemplated and that the General Assembly was not considered an appropriate forum for treaty revision. (665.001/7-2451)

Yugoslavs on question treaty revision to secure at least their agreement not to oppose revision in UN. If Yugoslavs insist on retaining all of 1-b, including admittedly Ital towns, they will be in a poor position to oppose revision on the basis Trieste issue. Yugoslavs can surely not take seriously argument that revision Ital Treaty wld encourage Soviet arming of satellites since they fully aware Soviets wld take any action in this field they consider advantageous. Yugo's Amb here, in informal conversation with Brit Min, suggested Yugoslavia cld make no concessions in 1-b on ground that to do so wld merely encourage Ital claims beyond FTT. While there has been recent mention this area by PriMin and Ital press we do not believe there is or will be any serious agitation regain territory lost to Yugoslavia but surely best means of forestalling any such development wld be settlement Trieste issue by agreement between Italy and Yugoslavia.

Both Brit and French Embassies here have shown considerable interest in possibility of Trieste settlement. Emb will submit separate report of recent informal conversation Brit Amb with Political Director FonOff in which Amb, speaking personally strongly, urged a determined effort at settlement.

DUNN

No. 290

665.001/8-151

Memorandum of Conversation, by the Deputy Director of the Office of Western European Affairs (Williamson)

SECRET [WASHINGTON,] August 2, 1951.

Subject: Revision of the Italian Peace Treaty.

Participants: M. Pierre Francfort, Counselor, French Embassy
Mr. Francis T. Williamson, WE

M. Francfort called on instructions from the Foreign Office to present the attached *Aide-Mémoire* [1] giving the French views concerning the proposed revision of the Italian Treaty.

I did not comment on the substance of the French *Aide-Mémoire* but asked M. Francfort if the French Government had any view

[1] Not printed; it recommended that a tripartite declaration be issued which noted Italy's plight and stated the desirability of Italy's closer association with NATO's defense system. This declaration would then be sent for "approval" to the U.N. General Assembly. It also recommended that the treaty signatories send individual notes to Italy in which it is stated that the treaty articles under contention be ignored.

(see paragraph 7) whether the Ministers should discuss this question during their forthcoming conversations in Washington.[2] He replied that the *Aide-Mémoire* envisaged conversations between representatives of the French and British Embassies and officers of the Department of State rather than a Ministerial discussion. I also inquired whether the French Government would recommend transmission of the proposed tripartite declaration to the Soviet Union as one of the signatories of the Peace Treaty. He stated that there was nothing in his instructions on this question. M. Francfort explained that the proposed declaration would simply suspend the military clauses of the Treaty and permit Italy to rearm in accordance with NATO requirements. He did not know whether the French Government contemplated registering this declaration with the United Nations as a part of the Italian Treaty or exactly what steps could be taken to give it a legal standing. In response to a further inquiry about the proposed action in the General Assembly, M. Francfort stated that the maximum desired by the French Government was to obtain approval for the action taken by the three powers without any thought of ratification or action by the Assembly in altering the text of the Peace Treaty.

I informed M. Francfort that the preliminary views of the British on this question have already been received and that the Department would have to consider them before making arrangements for any further discussions.

[2] Plans were underway for a meeting of the Foreign Ministers of France, the United Kingdom, and the United States in Washington in early September; for documentation on these meetings, see vol. III, Part 1, pp. 1163 ff.

No. 291

665.00/8–251: Telegram

The Ambassador in Yugoslavia (Allen) to the Secretary of State [1]

CONFIDENTIAL BELGRADE, August 2, 1951—7 p.m.

144. In course call FonOff other subject Beam received from Assistant FonMin Mates long explanation Yugo attitude re Italian peace treaty revision. Mates much worried present state relations with Italy. Referred to annual spring effervescence Italian Irredentis, saying in spring 1950 Yugo Govt had discussed this amicably with Italian Govt but this year Italian campaign seemed to be out of hand. Mates cld see little difference between De Gasperi attitude

[1] Repeated to Rome.

and that other members Italian Govt, since De Gasperi responsible for Cabinet policy. Mates believed it possible that Italy in requesting revision peace treaty was more interested in obtaining territorial concessions for its benefits than in amendment military provisions. He said he had knowledge Italian FonOff had sent circular its missions foreign countries emphasizing this aspect. Mates declared Yugo Govt certainly did not regard treaty unchangeable but was afraid of opportunity it wld offer Russians to spread confusion and as regards military matters to justify build-up in satellites and increase pressure on Yugo. Yugo Govt believed correct procedure would be endeavor obtain bilateral settlement between Yugo and Italy on territorial aspects, to wit Trieste and on reparations provisions. Yugo willing continue discussion Trieste in reasonable and calm spirit but objected to campaigns and pressure to which it wld never yield. Discussions had already taken place on reparations matters but Italy seemed to be purposely offering obstruction and delay. According to Mates Yugo Govt's idea was that attempt shld be made by bilateral negotiations to reach agreement on territorial and reparations issues. Thereafter Yugo Govt might inform NATO countries that it had no objection to revision military provisions of peace treaty but it wld ask these countries to take into account effect on Yugo position particularly vis-à-vis Cominform and Russia which any increase in Italian military establishment wld produce.

ALLEN

No. 292

765.00(R)/8-351 Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, August 3, 1951—10 a.m.

595. In a conversation with PriMin today he told me new Government [1] is formulating plans to conduct vigorous campaign against Communists. He said he has in mind laws to be applied against excessive and subversive attacks against Government by certain unbridled press: plans for providing work for unemployed: assistance to newly elected Democratic municipal administrations in the north, and plans for accelerated emigration.

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[1] De Gasperi's Cabinet resigned on July 16, 2 days after Pella's resignation, following severe criticism of his fiscal policies by the left wing of the Christian Democratic Party. Although De Gasperi also tendered his resignation, President Einaudi convinced him to accept an invitation to form a new Cabinet. On July 26 De Gasperi announced the appointment of his seventh Cabinet. For an analysis of the new De Gasperi government see the memorandum by Bonbright, August 13, *infra*.

He said that another point in this comprehensive plan is a new law with respect to activities of trade unions. He said on this however, he was having some difficulty as Pastore and executives of CISL were objecting to depriving Government employees of right to strike. He said that in this regard we might be helpful as he knew American trade unions were encouraging and supporting the Free Trade Union Confederation here and American influence might be helpful in getting around this difficulty. I asked if there were any possibility of compromise on this point and he said yes there wld be but the difficulty was to find the formula. Adverting again to the general anti-Communist program, I said that sometimes in US when we had a difficult situation which required perhaps some emergency consideration, a special committee was appointed to deal with subject and to obtain support of all functions of Government in dealing with matter. He said he thought that was a good idea to which he would give immediate consideration. I told him that our people at home, both in the Government and outside of it, were tremendously interested in this question, and that if there were any ways in which we could be helpful we would appreciate being so informed in order that we might give consideration to whether we would be in a position to assist. He said that in the meantime he would let me know whom we could deal with on this subject and who would be in a position to keep us informed as to their plans of action.

DUNN

No. 293

765.00/8–1351

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Deputy Under Secretary of State (Matthews) [1]

SECRET [WASHINGTON,] August 13, 1951.

Subject: New Italian Government

The new de Gasperi Government in Italy has been endorsed by wide margins in both houses of the Italian Parliament.

The reorganization of the Government was precipitated by disputes within the Christian Democratic Party over economic policy, foreign policy, and anti-Communism. The new Cabinet, which is of approximately the same political complexion as its predecessor, re-

[1] Drafted by Greene.

flects formal rather than substantive compromises by de Gasperi on economic and foreign policies, and is expressly committed to more vigorous sanctions against both Communists and Fascists in Italy. Assuming that Christian Democratic Party unity and discipline have been restored, the new Government will enjoy parliamentary stability. The Democratic Socialists and the Liberals declined to rejoin de Gasperi in the coalition, but will support the Government in foreign policy and in anti-Communist measures at home, while playing the role of loyal opposition on economic policies.

Piccioni, Vice Premier in the new Cabinet, begins to emerge as de Gasperi's heir apparent; he is the former Secretary General of the Christian Democratic Party and a staunch Party man, but unlike de Gasperi, who aspires to lead several parties in a coalition government, is a one-party man and less adept at inter-party compromise.

Economic Policy

The dispute over Finance Minister Pella's deflationary policies has been quieted if not settled by reallocation of functions between the economic ministries, by giving the Christian Democrat "Left Wing" representation in the Cabinet (Fanfani as Minister of Agriculture and Trade Unionist Rubinacci as Labor Minister) and by eliminating weak links (especially Togni as Minister of Industry). Pella remains as the principal economic minister, and de Gasperi has expressly stated that economic stabilization remains the "inevitable point of departure" for maintaining purchasing power of the lire and reducing unemployment. The Government will continue to press forward with agrarian and tax reforms but there seems to be little prospect that its deflationary policies will be liberalized to the extent demanded by both the social reformers and by businessmen to help spread available resources over both reform and defense programs. A system of priorities will be initiated to direct available resources toward essential sectors of the economy on the basis of the needs of civil consumption, security and foreign trade; direct Government intervention is to be expected in high priority sectors, such as agriculture, power, scarce materials and non-luxury building.

Anti-Communism

De Gasperi has publicly stated that anti-sabotage and anti-subversion laws will be tightened, with particular reference to slowdown strikes. In this context, he also forecast tightened sanctions against resurgent Fascism. The Prime Minister has privately told Ambassador Dunn that the Government will also clamp down on subversive attacks in the press, and step up efforts to provide work

for the unemployed, to assist the newly elected non-Communist municipal administrations, and to accelerate emigration. Ambassador Dunn told him of the great interest in the United States in the anti-Communist program, and mentioned that in similar situations in the United States, we have sometimes appointed special committees to deal with the subject and to obtain support of all organs of government dealing with the matter.

The new Cabinet has decided to postpone until after a census, to be held November 4, the remaining municipal and provincial elections in Southern Italy; it is not yet, however, clear when these elections will be held.

Foreign Relations

De Gasperi has made it entirely clear that Italy continues to support the North Atlantic Treaty. Within the context of "Atlantic solidarity" the new Government will press for revision of the Peace Treaty and will permit no doubts of its rights regarding Trieste, although recognizing in friendly relations with Yugoslavia a factor for peace and security. It is to be expected that the Italian Government will henceforth be more insistent and aggressive in putting forward Italy's claims vis-à-vis her friends and allies, at least until the Peace Treaty is revised and the Trieste question settled.

Count Sforza's removal from the Foreign Ministry responds to Christian Democratic and Rightist criticism of his alleged lack of forcefulness in championing Italy's position in relations with her friends, but there has been no question of his or the Italian Government's devotion to the cause of defense against Italy's enemies. By taking the Foreign Ministry himself, de Gasperi has avoided a sharp fight among various candidates for the job, but by sacrificing Sforza, has lost an important buffer between himself and the critics of Italy's foreign policy both on the Right and on the Left.

Count Sforza's appointment as Minister without Portfolio in charge of European Union Affairs should offset any apprehension that Italy will withdraw from efforts to unite Western Europe; also, Taviani, the new, strong-willed Christian Democrat who will be Undersecretary in the Foreign Office, has been Chief Italian Delegate to the Schuman Plan and European Army negotiations.

Since Ambassador Tarchiani has been personally and politically associated with Count Sforza and his policies, it would not be surprising if the Ambassador were replaced relatively soon.

No. 294

665.001/8-1351

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington)

SECRET [WASHINGTON,] August 13, 1951.

Subject: Revision of the Italian Peace Treaty

Participants: Mr. Luciolli, Chargé d'Affaires, Italian Embassy
Mr. Byington, WE

Mr. Luciolli showed me copies of the reports made to the Foreign Office by the Italian Ambassador in London and the Italian Ambassador in Paris concerning conversations which they have had with Mr. Morrison and Mr. Schuman regarding the proposed revision of the Italian Peace Treaty. It seems that the matter has been gone into extensively by both governments with the Italian Ambassadors and both governments have urged upon the Italians that the best course to follow at the present time is a tripartite declaration with a second phase leading to revision of the Peace Treaty. An outline of a tripartite declaration was given to the Italians in the same form as the French proposal to us. [1] The British took the same line. Prime Minister de Gasperi, in replying to a request for instructions from Ambassador Quaroni indicated that the Italian Government urgently needed some immediate action in regard to the Treaty and that a declaration would be acceptable under certain conditions. Mr. Luciolli explained that if a declaration is all that can be obtained the need of the government for haste is so great as to have them welcome it providing there is some assurance that substantive revision will be considered as a second phase.

Mr. Luciolli pointed out that in this connection, the United States was the only government which had not expressed any views to the Italian Government and had merely suggested they wait for the outcome of the talks with the British and French. It might be noted also that Ambassador Quaroni reported to the Foreign Office that Mr. Schuman had said that there may be difficulty in obtaining consent of the United States because of our preoccupation over the attitude of Yugoslavia.

Mr. Luciolli reiterated his personal opinion that it would be a mistake to limit the present action to merely that of a declaration, but observed that the matter seemed to have gotten out of hand. He urged that we inform the Italian Government what our views

[1] Regarding the French proposal under reference here, see the memorandum of conversation by Williamson, Document 290.

in this matter are since they desperately need to know what we have in mind if they are going to be able to decide what to reply in the face of both the British and French governments advocacy of limiting immediate action to a declaration.

No. 295

665.001/8–1451

The British Embassy to the Department of State [1]

CONFIDENTIAL

AIDE-MÉMOIRE

His Majesty's Government in the United Kingdom recognize that it will no longer be enough for the French, United Kingdom and United States Governments to agree to ignore any infractions of the military clauses of the Peace Treaty with Italy, which may be necessary in order that Italy should be able to play her full part in Western defence. They recognize also the strength of the Italian claim to be placed on a footing of full confidence and equality as a North Atlantic Treaty Organisation ally and realise that the forthcoming Peace Treaty with Japan, and the development of the discussions with the German Federal Government for a defence contribution and for a modification of the occupation regime have strengthened Italy's claim to see the end of the regime under which her relations with the Western countries were placed by the Peace Treaty concluded after the war. They appreciate in particular the Italian Government's desire to secure the removal of the "stigma" contained in the preamble of the Peace Treaty and the importance of supporting the democratic parties in Italy. They also recognize the strength of opinion in the United States which is in favour of the revision of the Italian Treaty, particularly in order that Italy may play her full part in the North Atlantic Treaty Organisation.

2. His Majesty's Government consider the maintenance of a democratic government as exemplified in the de Gasperi coalition to be of great importance to the Western Allies. They are aware of Signor de Gasperi's problems in maintaining unity between the very divergent elements in this coalition and in particular in ob-

[1] This *aide-mémoire* was given to officials of the Department of State on August 14 and they were informed that a copy was also being given to officials of the French Embassy in Washington on the same day. (Memorandum of conversation, August 14, 665.001/8–1451)

taining support in certain quarters for a progressive social policy. The pursuit of such a policy will, however, clearly influence the support which the coalition parties in Italy continue to receive from the electorate and without an improvement of conditions in Italy itself concessions from the Western Powers to Italy in the international field will not necessarily suffice to prevent the decline of these parties.

3. It is important that the Western Powers should not be led into ill-judged or hasty action which would cause greater difficulties than it removed. His Majesty's Government recognize that sooner or later it may well become necessary to review the Italian Treaty but they are convinced that the dangers of so doing at this particular time would outweigh any advantages that we might expect to gain. The removal of the limitations on Italian armaments would enable the Soviet Government to declare the Satellites released from their obligations in this field. The Soviet Government might then be encouraged to increase the threat which the Satellite forces already offer to Yugoslavia. More important is the fact that by such action the Western Powers would lose the diplomatic and propaganda advantages which they at present possess and which enable them to accuse the Satellite governments and their Soviet master of infringing the Peace Treaties.

4. But above all it is necessary to consider the effect which the revision of the Italian Peace Treaty would have on Yugoslavia. The Yugoslav Government have officially informed His Majesty's Government through their Ambassador in London that they are opposed to revision, and His Majesty's Representative at Belgrade has reported that the Yugoslav Government consider that the present time is inopportune for revision. Were we to proceed with revision in spite of the objections of the Yugoslav Government the latter might well be tempted to draw the inference that the Western Powers were again coming down on the side of Italy. The Soviet Government would most probably at the same time announce that since the Italian Peace Treaty had been torn up the re-armament of the Satellite States was fully justified and would be proceeded with. The Soviet propaganda machine would not be slow to exploit the discouragement which this situation would cause for the Yugoslavs. Tito's position might be affected, and, in any event, the three governments would risk losing much of the influence they have recently been at such pains to build up in Belgrade.

5. His Majesty's Government's chief objection therefore to revision of the Italian Peace Treaty at present resides in the effect it may be expected to have on the position of Yugoslavia. The main stumbling block to better relations between Italy and Yugoslavia is the question of Trieste. There is little doubt that with their recol-

lections of Italian policy after the 1914–1918 war and of Italian actions during the last war, the Yugoslavs are suspicious of Italian ambitions in the Adriatic. The Italian Government on their side have quite naturally made the fullest use of the Declaration of March 1948. Recent discussions between the two parties with a view to reaching a settlement of the Trieste question have come to nothing. Partly, at any rate, because the Italian Government take their stand upon the 1948 Declaration and regard it as their starting point. So long as they maintain this position no settlement of the Trieste question is likely. It seems essential that the question of revision of the Italian Treaty be so handled as to bring about if possible a settlement of the Trieste question between Italy and Yugoslavia. It would also be worth the possibility of persuading the Italian Government to make some statement which would give the Yugoslav Government an assurance that, apart from the question of Trieste, there were no territorial issues outstanding between Italy and Yugoslavia.

6. If the French and United States Government agree that the time for revision of the Italian Peace Treaty has not yet come, His Majesty's Government would be ready to agree that something should be done now to help the Italian Government and to meet the feeling in the United States that Italy should be enabled to play her full part in Western defence. For this purpose they would favour a declaration which could be made either separately or jointly by the French, United Kingdom and United States Governments to the effect that their relations with Italy would henceforward be governed by the spirit of the Atlantic Alliance rather than by that of the Peace Treaty. The declaration would also recognize in principle Italy's inherent right to self-defence and thereby provide an assurance that the Peace Treaty would not be allowed to stand in the way of Italian re-armament without affording an excuse for saying that the Treaty had been abrogated. A tentative draft declaration in this sense is attached as an annex to this *aide-mémoire*.

7. It is probable that even the making of such a declaration if unaccompanied by any assurance about Trieste would have an unfavourable effect in Belgrade and that the Yugoslav Government would ask whether this declaration portends a change of attitude about Trieste. Rather than that the Western Powers should be compelled to give an assurance in reply, it would seem better that the declaration of the three governments be accompanied by an Italian declaration to the effect that Italy intends to settle the Trieste question with Yugoslavia and that the Italian Government should assure the Yugoslav Government in the same declaration, that apart from the question of Trieste, there are no territorial

issues outstanding between the two countries. If, however, the French and United States Governments feel that this would be too much to ask of the Italian Government, His Majesty's Government consider that the latter should at least be moved to convey assurances of the sort described above to the Yugoslav Government through the diplomatic channel before the three Powers issue their declaration.

8. His Majesty's Government attach great importance to avoiding any action which would upset the Yugoslavs. They are very sympathetic with the Italian case for revision but feel that the matter should not be rushed. There is little chance of bringing about a settlement of the Trieste question unless pressure is brought to bear on the Italian Government and perhaps on both parties. In the view of His Majesty's Government therefore it is important to avoid any concessions or statements about revision which would weaken the ability of the Western Powers to bring the two parties closer together.

WASHINGTON, 14 August 1951.

Annex

[WASHINGTON, August 14, 1951?]

DRAFT DECLARATION ON THE ITALIAN PEACE TREATY

His Majesty's Government in the United Kingdom have for some time been considering how best to resolve, in the interests of the peaceful development of Western Europe, in particular, and of the free nations as a whole, the problem presented by the Peace Treaty with Italy, a co-belligerent at the conclusion of the last war.

2. An anomaly results from the fact that, although Italy has taken her rightful place among the free nations as a member of the North Atlantic Treaty Organisation, she is still prevented from membership of the United Nations and is still bound by the terms of the Treaty of Peace of February, 1947, certain clauses of which may prove inconsistent with her legitimate right of self-defence.

3. His Majesty's Government are considering what proposals they can make with a view to removing this anomaly. But, so long as the present position prevails, His Majesty's Government make the following declaration:—

(1) So far as they are concerned, His Majesty's Government will be governed in their general relations with Italy, henceforward, by the spirit of the Atlantic Alliance rather than by that of the Peace Treaty.

(2) His Majesty's Government continue to favour the admission of Italy to the United Nations.

(3) His Majesty's Government recognize to the Italian Government, in principle, the legitimate right of self-defence.

No. 296

765.13/8-1551

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Deputy Under Secretary of State (Matthews) [1]

TOP SECRET [WASHINGTON,] August 15, 1951.

Subject: Visit of Italian Prime Minister

The Italian Chargé d'Affaires has conveyed the desire of the Italian Prime Minister to visit Washington on his way back to Italy after the Ottawa Conference. [2] In presenting the request, Mr. Luciolli indicated that Mr. De Gasperi might come to Washington at a later date and as a result, not attend the Ottawa Conference if it were the preference of this Government for a later date. A subsequent communication from the American Embassy at Rome confirms the Italian Prime Minister's attendance at the Ottawa Conference and mentions the dates of September 18 to September 21 as a possibility for Mr. De Gasperi's visit here.

Difficulties in our relations with Italy over such issues as lack of progress in revision of the Italian Peace Treaty, in the face of a Japanese Treaty and a German settlement, Trieste, disagreement over the amount of U.S. economic and military aid and Italian concern that Italy is being slighted in European defense arrangements, make such a visit desirable at this time. Also, it would be difficult for us to refuse this request in the light of our having received both Mr. Attlee [3] and Mr. Pleven, as well as President Auriol during the past months. [4]

Since Prime Minister De Gasperi also holds the portfolio of Foreign Minister in the present Italian Government, it is believed that the President's participation in the visit could be limited to a

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[1] Drafted by Byington.

[2] The Seventh Session of the North Atlantic Council was scheduled to meet at Ottawa September 15–20; for documentation concerning this session, see vol. III, Part 1, pp. 616 ff.

[3] For documentation concerning the visit of Prime Minister Attlee to Washington in December 1950, see *Foreign Relations*, 1950, vol. III, pp. 1698 ff.

[4] For documentation concerning the visit of Prime Minister Pleven in January 1951 and President Auriol in March 1951, see Documents 139 ff. and 156 ff., respectively.

luncheon and one conference. In this connection it would be desirable to advance the date of the ceremony planned for the Memorial Bridge Horses, now scheduled for October 12, to take place during the Prime Minister's visit. It would, therefore, be necessary also to obtain the President's consent to change his appearance at this ceremony from October 12 to the new date to be established on September 21, 22, or 23. Other than one formal conference with the President, the Secretary could undertake the discussions with Mr. De Gasperi in the latter's capacity as Foreign Minister.

If we are going to issue the invitation it would seem desirable that it be done as quickly as possible rather than wait until the Secretary's return next week. It is therefore recommended that you obtain the approval of the President and the Secretary as soon as practicable.

We have informed the Italian Chargé that we hope to be able to concur in the Italian request, but it must be understood that the dates can only be tentative at this time in the light of current developments resulting from the Soviet participation in the conference in San Francisco with regard to the Japanese Peace Treaty.

No. 297

665.001/8-1451

The Department of State to the British Embassy [1]

SECRET

MEMORANDUM

The Department of State has given full consideration to the proposals advanced in the memorandum of the British Embassy of August 14, 1951 [2] concerning revision of the Italian Peace Treaty and is gratified to note the considerable area of agreement in the views of the two governments: that Italy should be placed on a footing of full confidence and equality as a North Atlantic Treaty ally; that the stigma contained in the Preamble of the Italian Treaty should be removed; that maintenance of a democratic government in Italy is of paramount importance to the Western Allies; that it will no longer be enough to ignore any infractions of the military clauses of the Peace Treaty with Italy; and that the forthcoming

[1] Drafted by Colladay and Byington of WE and cleared with Bonbright, Coe of BNA, Wainhouse and Mangano of UNA, Furman of L, and Reinhardt of EE. It was noted in the margins of the source text that a copy of this memorandum was handed to representatives of the British and French Embassies on September 1.

[2] Document 295.

Peace Treaty with Japan and development of the discussions with the German Federal Republic for a defense contribution and for a modification of the occupation regime have strengthened Italy's claim to see the end of the regime under which her relations with the Western countries were placed by the Peace Treaty concluded after the war.

The British Government's proposal for a declaration to be made either jointly or separately by the British, French and United States Governments does not, however, appear sufficient to accomplish the foregoing objectives, since it does not provide the *de facto* revision necessary to achieve them. It would leave our relations unchanged as far as the substance of the Treaty is concerned and in the long run would give rise to strong criticism and disappointment because of its inadequacy. Moreover, the Department of State considers that the issuance of such a tripartite declaration would place the Western powers in the untenable legal position of assuming responsibility for the initiative in the violation of the Treaty by the Italian Government.

The urgent need to complete the agreed plans for mutual defense requires that positive action be taken to permit Italy to exceed the military limitations of the Treaty. The Department of State does not consider that a declaration which in effect would not constitute revision would provide Italy a sound basis on which to ignore the military clauses of the Treaty. In reality it would not relieve our governments from legal responsibility. In addition, the demands in Italy for removal of the restrictions of the Treaty, which stand in marked contrast to the terms of the Japanese settlement, make it necessary to secure *de facto* revision of the Treaty itself.

With regard to the British Government's concern over the Yugoslav reaction to revision of the Treaty, the Department of State considers that such revision should be so handled as to bring about, if possible, a settlement of the Trieste question. Marshal Tito has stated that he would not oppose revision, if the Trieste question and Italian reparations received prior settlement. Both the British and the United States Governments are seeking actively to promote Italo-Yugoslav negotiations toward an agreed solution. The Yugoslav conditional opposition to revision does not seem insurmountable when viewed in this light, and certainly should not be allowed to paralyze our action. The three Governments can impress on Yugoslavia the fact that the external threat facing it is the same as that facing Italy and that a strong Italy allied in a common defense against Soviet aggression would be greatly to Yugoslavia's advantage. At the same time, we can stress to Italy that support of its desires to revise the Peace Treaty could be seriously jeopardized by the lack of prior settlement of the Trieste

issue. If Yugoslav-Italian agreement can be reached, the Department would welcome the British suggestion of a statement by Italy assuring the Yugoslav Government that there are no territorial issues outstanding between Italy and Yugoslavia. The Department would propose that in addition a similar statement be sought from the Yugoslav Government, in order that the Western Powers would not be charged with showing favoritism towards either side. It is clear that it would be advantageous to have these declarations and a Trieste settlement, if reached, announced simultaneously with the revision of the Peace Treaty.

The Department of State does not share the British concern over the Soviet reactions to removal of the limitations on Italian armaments at this time. Soviet propaganda has already accused the West of violating the Treaty, and will continue to do so no matter what action is taken, or even in the absence of any action. The satellites have, with Soviet connivance, already violated their peace treaties and there would appear to be no advantage in further delaying action on revision. The Department considers that a propaganda advantage would be gained by making use of the satellite violations to support action on the Italian Treaty.

In its *aide-mémoire* of June 22, 1951 [3] the Department requested agreement on procedures to secure to Italy an opportunity to carry out its obligations under the North Atlantic Treaty. Those procedures envisaged an approach by Italy to NATO signatories of the Peace Treaty, agreement among them to support Italy's action and approach by Italy to non-NATO signatories. Since those proposals were made, events have moved with increasing rapidity due to the discussions of the Japanese and German settlements, and the declarations of the Italian Government that it considers action should be taken to permit it to carry out its NATO obligations and to be freed from the punitive spirit of the Treaty. In view of these circumstances, the Department considers that a more expeditious procedure should be followed and suggests therefore that without delay the Italian Government address previously agreed communications to all the signatories of the Treaty calling on them to recognize that the spirit of the Peace Treaty no longer reflects the position occupied by Italy and asking for release from certain provisions of that Treaty.

The Italian note would express:

(1) a readiness to negotiate bilateral agreements with any country in order to base relations with Italy on the spirit of the North Atlantic Treaty rather than that of the Peace Treaty;

[3] Attached to Document 282.

(2) a desire to revise the military clauses (Articles 46–70) which limit Italy's ability to defend itself;

(3) a desire to revise certain political clauses and the Preamble, which are no longer needed since the democracy they were designed to assure is no longer in question.

This step by Italy should be preceded by adequate diplomatic preparation, with French, United Kingdom and United States' support, to assure immediate friendly responses, at least from Italy's Allies and from as many other signatories as possible. The replies should endorse the position expressed in the Italian Note. Since the Notes themselves can constitute the revision on a bilateral basis, the negotiation of a further document, may not in all cases be necessary.

It is believed these exchanges with Italy should be published simultaneously insofar as the Governments of France, the United Kingdom, and the United States are concerned, and that efforts should be made to induce as many other friendly nations as possible to take simultaneous action. By this method the widest possible endorsement of Italy's action would be secured.

It is considered imperative that all action be completed before the German settlement is signed. If the German and Japanese settlements are concluded without parallel action on the Italian Treaty, our interests will be adversely affected and later action rendered more difficult.

It is suggested further that NATO signatories of the Italian Treaty should simultaneously with their replies to Italy formally and publicly communicate to the USSR copies of their replies, urging the USSR to follow suit.

As a further method of securing public endorsement, the Department suggests that the public actions enumerated above be completed before the General Assembly convenes in Paris on November 6. Since it would be desirable to have the United Nations note with satisfaction the *de facto* revision of the Treaty, a statement of agreement by the friendly signatories including the settlement of the Trieste question should be brought before the General Assembly under Article 14 of the Charter of the United Nations.

WASHINGTON, September 1, 1951.

No. 298

665.001/9-851: Telegram

The Chargé in France (Bonsal) to the Secretary of State [1]

SECRET PARIS, September 8, 1951—5 p.m.

1529. FonOff is still extremely dubious about procedure for Italian treaty revision as outlined to Fr Emb, Washington last week, and Schuman is expected to put forward new proposals in Washington which go beyond those reported in Embtels 138 [2] and 367 [*356*], [3] July 7 and 17 but which preserve principle, to which FonOff attaches importance, of not attempting to give legal sanction to an arrangement which by its nature is separate and distinct from legal revision. Fr are, of course, entirely in agreement re objectives of affording Italy relief from mil provisions of treaty as well as "moral satisfaction" (see also Embtel 1178 [*1176*], August 23 [4]) but profess to see an important distinction between (a) "revision by agreement" which we envisage, and (b) "benevolent unilateral renunciation of certain rights", in this case rights to prohibit certain activities, which is procedure they favor.

Renunciation procedure envisaged by FonOff, although this now surrounded by considerable formality, is deemed by them to be free from the disadvantages which would be involved for instance by contractual arrangements between Italy and certain signatories of treaty. In discussing this matter with us, Boegner, Chief FonOff Southern Eur Division, said FonOff is concerned over precedent that would be created for instance, for Suez and Iranian questions by unilateral (i.e., nonunanimous) revisions.

Procedure which Schuman will probably suggest in Washington consists of three stages:

(a) Tripartite declaration such as proposed in recent Fr note to Dept and Brit FonOff;

(b) Submission of this declaration to UNGA for approval or "consecration";

(c) Individual communications to Italy by the three Western Powers and by treaty signatories who are willing to join in confirming or approving the declaration and informing Italy what practical conclusions (renunciations) are deemed to flow from it. These communications would merely indicate that as far as their

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[1] Repeated to London and Rome.

[2] Document 285.

[3] Not printed, but see footnote 4, *ibid.*

[4] Telegram 1176 summarized a press release from the French Foreign Ministry on August 22 which resulted from Schuman's personal interest in having the French on record on the subject of Italian treaty revision. (665.001/8-2351)

senders are concerned, Italy would be free to ignore the treaty provisions in question.

BONSAL

No. 299

865.00R/9-1051

Memorandum of Conversation, by George A. Tesoro of the Office of Western European Affairs

CONFIDENTIAL [WASHINGTON,] September 10, 1951.

Subject: Meeting at ECA on Italy's Economic Problems [1]

Participants: Signor Pella, Italian Minister of the Budget
Giovanni Malagodi, Italian Representative in FEB
Dott. Massimo Magistrati, Italian liaison with ECA Mission, Rome
Mr. Egidio Ortona, Counselor, Italian Embassy
Mr. Paul Rogers, Italian Technical Delegation
Mr. Richard Bissell, ECA
Mr. H. Van Cleveland, ECA
Mr. Wm. M. Blaisdell, ECA
Mr. George A. Tesoro, State, WE
Mr. Weir Brown, Treasury
Mr. Phillip Shafner, Treasury
Mr. T. Shelling, Executive Office

Mr. Bissell explained that it is not possible at this moment, because of the Congressional situation, to make any commitments on the U.S. aid. [2] Negotiations on the U.S. aid in its various forms, as well as on the size of the military effort expected from each country, would probably be possible only by the middle of October, either in FEB or, more probably because of the time element, bilaterally in the various capitals. He stated that we are in full agreement with Mr. Pella's exposition of objectives and goals, and that we recognize that civilian investment in Italy should be continued, probably at a rate higher than in other countries, especially for the

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[1] Giuseppe Pella and his advisers were in Washington to attend the Sixth Annual Meeting of the Board of Governors of the International Bank for Reconstruction and Development and the International Monetary Fund, September 10–14.

[2] In a memorandum of September 10, Stanley B. Wolff noted that the ECA was considering an allocation of $178,218,000 to Italy for fiscal year 1952 whereas the Italians were anticipating $275 million. Wolff conjectured that the principal effect of the proposed reduction would be "to kill any possibility of persuading the Italians to make supplementary appropriations for defense production in FY '52." (Italian Desk files, lot 54D328, 340–ECA)

development of the South and to increase industrial capacity directly related to the defense effort. He stated also that we recognize the necessity of maintaining financial stability, but that also because of domestic political considerations, we must limit our economic aid to the amount indispensable to finance essential import requirements, avoiding granting funds which would result in increase reserves (even though they would be useful from a psychological point of view, for a safer monetary expansion in promoting defense production).

Mr. Bissell said that U.S. aid should be considered as a whole, including economic aid, off-shore procurement of end-items for the benefit of the producing country, and off-shore procurement for other NATO countries, although the last technique would relieve the foreign exchange situation, but not the internal budget. He stated that it is absolutely impossible now, and probably it will not be possible for some time to give even a rough estimate of the off-shore procurement. Unofficially Mr. Bissell expressed his hope, however, that economic aid plus off-shore procurement would be sufficient to meet the essential dollar requirements of the Italian balance-of-payment; he said also that he hoped personally that some arrangements could be made for advance payments and progress payments on off-shore contracts by the Department of Defense, to avoid excessive financial strain in the countries concerned. He said that only if a major crisis develops, would we consider the possibility of requesting of Congress an additional appropriation at the beginning of next year.

Mr. Bissell finally said that our presentation to Congress implied a level of extraordinary defense expenditures higher than 250 billion a year, and that we hoped that the Italian Government will be able to take action in that direction.

Mr. Pella expressed thanks for the frankness and warmth of the conversations and stated that he understood both the substantive and procedural difficulties of the situation we are facing. With reference to Premier de Gasperi's visit to Washington, he stressed that public opinion, and parliamentary situation required that economic problems should not be completely excluded from the conversations. Obviously, he said, it is not necessary to mention figures, but ideas, principles, and general political assurances that U.S. support will come, in a form or another, to the limits which are essential to meet the common defense goals.

After stressing the inter-relationship of balance-of-payment and government budget, as well as of unemployment and migration, Mr. Pella stated that as far as the size of the rearmament program was concerned, he wanted to be over-cautious in order to avoid raising false hopes. He prefers to have an announced goal some-

what smaller than the probable actual performance, rather than vice-versa. After pointing out the paramount importance of the moral aspects of the support given to the Italian Government by the U.S., Mr. Pella suggested that some specific problems be given consideration with a view toward some decision before de Gasperi's visit, namely: (1) freight rates (which are so important for the costing of imported goods, and therefore affect inflationary pressure, cost of living, etc.); (2) U.S. wheat requirements (if not met, would create a 41-billion lire cost differential, which would have to be covered either by subsidies increasing the budgetary deficit, or by raising the cost of living); (3) coal; (4) ECA suspension of both dollar allotment and counterpart releases.

Mr. Bissell said that he had some hope on #1, and that ECA would give consideration to the other points, although #3 appeared to be the most difficult of the problem mentioned by Mr. Pella.

(In answering a question by Mr. Cleveland, Mr. Pella explained that the extraordinary appropriation of 250 billion lire includes 43 billion lire for miscellaneous, personnel etc. which does not imply any gap between commitments and cash outlays. The balance of 207 billion should be all contracted for by December 31, and cash outlays would take place as follows: twenty percent after the signature of the contract, sixty percent as progress payments, the balance after delivery. The average lead is 8 months but it is expected that by June 30, 1952 practically the total amount will be actually spent. The only category including long-lead items is an item of about 40 billion for ship repairs and construction, but even these for precautionary measure are budgeted for fiscal 1952.)

No. 300

665.001/9–1051

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington) [1]

SECRET [WASHINGTON,] September 10, 1951.

Subject: Italian Peace Treaty

Participants: Mr. K.D. Jamieson—British Embassy
Mr. Homer M. Byington, Jr.—WE
Mr. Howard J. Hilton—WE

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[1] Drafted by Hilton.

Mr. Jamieson called to inform the Department of the general comments made by the Foreign Office on the Department's Memorandum of September 1, [2] concerning revision of the Italian Peace Treaty. The detailed comments are being sent by pouch to the Embassy. Mr. Jamieson said that the Foreign Office had found the Department's Memorandum helpful and had taken it into account in the preparation of the position papers for the Foreign Minister Meetings. [3] The Foreign Office now agreed with the necessity of public action to remove the stigma of the Treaty as well as the military restrictions and thus to recognize the position which Italy now occupies.

The Foreign Office is concerned, however, about the effect of such action on Yugoslavia and this concern raises questions as to the timing of action. Without prior agreement on Trieste and the settlement of reparations, the Foreign Office feels that action on the Italian Treaty would meet opposition from Yugoslavia. Since negotiations with Yugoslavia over Trieste may be delayed for some time, the Foreign Office now proposes the issuance of a tripartite declaration, a draft of which is attached. [4] This declaration would meet the requirement for prompt action and yet would permit a period required for adherence by other signatories for bilateral negotiations between Italy and Yugoslavia on Trieste before final action is taken on the other parts of the Treaty. He added that the strength of Italian public opinion required such a declaration.

Mr. Jamieson referred to our statement that action should in any event be taken prior to the conclusion of the German settlement and expressed the opinion that such a settlement would not be reached as promptly as the Secretary hopes.

I mentioned to Mr. Jamieson my inference from his remarks that the Foreign Office was prepared to accept our proposals for formal action. He replied that the Foreign Office appeared prepared to accept our suggestions concerning the procedure for accomplishing formal revision with perhaps some substantive modifications. It was concerned primarily, as he had already indicated, over the question of timing and over the importance of a Trieste settlement. He added that the Foreign Office wished to narrow the differences as much as possible prior to the meeting of the Foreign Ministers in order that such meeting could advance the area of agreement among the three powers. He suggested that a joint meeting be held with the French to discuss the question of a declaration.

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[2] Document 297.

[3] Regarding the Foreign Ministers meeting scheduled to be held in Washington, September 10–14, see Document 303.

[4] Not printed.

I replied that we would have to investigate the question of timing and the desirability of a declaration and that I would get in touch with him as soon as possible. I emphasized the importance which we attach to Italian initiative in this matter and of formal action based on such initiative. We recognize that the British declaration as now drafted, provides for Italian initiative but in such a way that the Italian request might be much more inclusive than could be granted. Such a request might be embarrassing to all concerned. To avoid this, it would be necessary to reach some agreement with the Italians on the nature of the request that might be made. I pointed out that this action was contemplated under the procedure which we had proposed.

Mr. Jamieson in acknowledging these comments reiterated the necessity for a Trieste settlement and of some form of public action in the near future. He felt that the declaration would serve this purpose and would also provide a good basis for DeGasperi's visit to the United States. It was agreed that we would consider the proposals made by him and that I would inform him later regarding our views. For his part he promised to inform us as soon as the detailed comments were received from the Foreign Office.

HOMER M. BYINGTON, JR.

No. 301

665.001/8–151

The Department of State to the French Embassy [1]

SECRET

MEMORANDUM

The Department of State has given full consideration to the *Aide-Mémoire* of the French Embassy of August 1, 1951, [2] as supplemented by its Note of August 23, 1951, [3] concerning the Italian Peace Treaty. The Department of State agrees that Italy should be in a position to meet aggression and to contribute to the common defense under its NATO obligations. The French Government's proposal for a joint declaration of the Foreign Ministers of the three Western Powers at the next meeting of the Allied Council does not,

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[1] Drafted by Colladay and Byington and cleared with Haselton of BNA, Furman of L, Higgs of EE, and Mangano of UNA. It was noted on the source text that a copy of this memorandum was given to a representative of the French Embassy on September 10.

[2] Not printed, but see footnote 1, Document 290.

[3] Not found in Department of State files.

however, appear sufficient to accomplish that objective and *de facto* revision of certain parts of the Peace Treaty would seem necessary. The issuance of the declaration transmitted with the Embassy's note of August 23 would leave our relations with Italy unchanged as far as the substance of the Treaty is concerned and in the long run would give rise to strong criticism and disappointment because of its failure to accomplish practical revision. Moreover, the Department of State considers that the issuance of such a tripartite declaration would place the Western Powers in the untenable legal position of assuming responsibility for the initiative in the violation of the Treaty by the Italian Government.

The urgent need to complete the agreed plans for mutual defense requires that positive action be taken to permit Italy to exceed the military limitations of the Treaty. The Department of State does not consider that a declaration which in effect would not constitute revision would provide Italy a sound basis on which to ignore the military clauses of the Treaty. In reality it would not relieve our governments from legal responsibility. In addition, the demands in Italy for removal of the restrictions of the Treaty, which stand in marked contrast to the terms of the Japanese settlement, make it necessary to secure *de facto* revision of the Treaty itself.

With regard to the French Government's concern over the Trieste question and Italian-Yugoslav relations, the Department of State considers that Yugoslav uneasiness would be allayed if action on the Treaty should be so handled as to bring about, if possible, a settlement of the Trieste question. Marshal Tito has stated that he would not oppose revision, if the Trieste question and Italian reparations received prior settlement. The British and the United States Governments are seeking actively to promote Italian-Yugoslav negotiations toward an agreed solution. The Yugoslav conditional opposition to revision does not seem insurmountable when viewed in this light, and certainly should not be allowed to paralyze our action. The French, British and United States Governments can impress on Yugoslavia the fact that the external threat facing it is the same as that facing Italy and that a strong Italy playing its full part in a common defense against Soviet aggression would be greatly to Yugoslavia's advantage. If Yugoslav-Italian agreement can be reached, the Department of State would be in agreement with a suggestion which has been advanced by the British Government that Italy make a statement assuring the Yugoslav Government that there are no territorial issues outstanding between Italy and Yugoslavia. The Department would propose that in addition a similar statement be sought from the Yugoslav Government, in order that the Western Powers would not be charged with showing favoritism towards either side. The Department con-

siders that the issuance of such statements would meet the French Governments's suggestion that formal assurances be sought from the Italian and Yugoslav Governments not to use force to settle these matters. It is clear that it would be advantageous to have these declarations and a Trieste settlement, if reached, announced simultaneously with the other agreements having the effect of revising the Peace Treaty.

In its *aide-mémoire* of June 22, 1951, [4] the Department requested agreement on procedures to secure to Italy an opportunity to carry out its obligations under the North Atlantic Treaty. Those procedures envisaged an approach by Italy to NATO signatories of the Peace Treaty, agreement among them to support Italy's action and approach by Italy to non-NATO signatories. Since those proposals were made, events have moved with increasing rapidity due to the discussions of the Japanese and German settlements, and the declarations of the Italian Government that it considers actions should be taken to permit it to carry out its NATO obligations and to be freed from the punitive spirit of the Treaty. In view of these circumstances, the Department considers that a more expeditious procedure should be followed and suggests therefore that without delay the Italian Government address previously agreed communications to all the signatories of the Treaty calling on them to recognize that the spirit of the Peace Treaty no longer reflects the position occupied by Italy and asking for release from certain provisions of that Treaty.

The Italian note would express:

(1) a readiness to negotiate bilateral agreements with any country in order to base relations with Italy on the spirit of the North Atlantic Treaty rather than that of the Peace Treaty;
(2) a desire to revise the military clauses (Articles 46–70) which limit Italy's ability to defend itself;
(3) a desire to revise certain political clauses and the Preamble, which are no longer needed since the democracy they were designed to assure is no longer in question.

This step by Italy should be preceded by adequate diplomatic preparation, with French, United Kingdom and United States support, to assure immediate friendly responses, at least from Italy's Allies and from as many other signatories as possible. The replies should endorse the position expressed in the Italian Note. Since the Notes themselves can constitute the revision on a bilateral basis, the negotiation of a further document, may not in all cases be necessary.

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[4] Attached to Document 282.

It is believed these exchanges with Italy should be published simultaneously in so far as the Governments of France, the United Kingdom and the United States are concerned, and that efforts should be made to induce as many other friendly nations as possible to take simultaneous action. By this method the widest possible endorsement of Italy's action would be secured.

It is considered imperative that all action be completed before the German settlement is signed. If the German and Japanese settlements are concluded without parallel action on the Italian Treaty, our interests will be adversely affected and later action rendered more difficult.

It is suggested further that NATO signatories of the Italian Treaty should simultaneously with their replies to Italy formally and publicly communicate to the USSR copies of their replies, urging the USSR to follow suit.

As a further method of securing public endorsement, the Department suggests that the public actions enumerated above be completed before the General Assembly convenes in Paris on November 6. Since it would be desirable to have the United Nations note with satisfaction the steps taken to revise the Treaty, a statement of agreement by the friendly signatories including the settlement of the Trieste question should be brought before the General Assembly under Article 14 of the Charter of the United Nations.

WASHINGTON, September 10, 1951.

No. 302

665.001/9–1151

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington) [1]

SECRET [WASHINGTON,] September 11, 1951.

Subject: Italian Peace Treaty

Participants: Mr. B.A.B. Burrows, Counselor, British Embassy
Mr. K.D. Jamieson, Second Secretary, British Embassy
Mr. P. Francfort, French Embassy
Mr. Homer M. Byington, Jr., WE
Mr. Howard J. Hilton, WE

In opening the meeting I suggested that the problem was to determine the areas of agreement and disagreement preparatory to

[1] Drafted by Hilton.

the meetings of the Ministers on the question of the Italian Peace Treaty. [2] After I had reviewed our position, Mr. Burrows circulated a paper (copy of which is attached [3]) setting forth the British suggestions for procedure and timing for the *de facto* revision of the Italian Treaty on a bilateral basis.

Mr. Burrows said that they preferred the position set forth in this paper to the position advanced by the United States since it afforded greater flexibility and best met the problems posed by differing public opinion in the United States, Italy and Yugoslavia. On the one hand, public opinion in the United States and Italy is demanding some action in the near future. In Yugoslavia, on the other hand, agreement with Italy on the future of Trieste has been set by Tito as a condition for Yugoslav support of revision of the other parts of the Italian Peace Treaty. Mr. Burrows said that the British suggestions had been drafted with the view of meeting these different demands. The issuance of the declaration is a step, which could be taken in the near future, to indicate the desire of the three Powers to achieve some action on the Italian Treaty. The delay between the declaration and the final notes accomplishing *de facto* revision would provide time for Italo-Yugoslav negotiations on the question of Trieste. Since the United States position contemplates the completion of formal action immediately after the Italian request, it does not provide the period for such negotiations. He recognized that there would be a period of some six weeks for diplomatic preparation for formal action, but felt that the exchange of notes might come at the most inopportune time in connection with the Italo-Yugoslav negotiations on Trieste.

In this connection I emphasized that the important point in the British procedure is that the formal notes are not conditional upon Italo-Yugoslav settlement of the Trieste question. I indicated that it was my interpretation of point 5–a that the final step, following about six weeks to two months after the declaration, would not be dependent upon an Italo-Yugoslav settlement of the Trieste question. I said I believed the United States Government would not be willing to accept any proposal which made solution of the Trieste problem a condition to revision of the Treaty. Mr. Burrows agreed in general with this interpretation but said that they would verify

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[2] See the editorial note, *infra*.

[3] Not printed; it briefly outlined the following steps for dealing with the revision of the Italian Peace Treaty: agreement with the Italians on the wording of a note to all treaty signatories, issuance of a tripartite statement, delivery of the Italian note, sympathetic acknowledgement of the note, interval of 6 to 8 weeks while the Trieste issue was settled, formal notes from the signatories that they did not desire to enforce certain specified treaty articles, and acknowledgement from the Italian Government of these notes.

this point. I repeated that if this interpretation was incorrect a fundamental difference of opinion would exist since we did not contemplate delaying action on the Italian Treaty pending such a settlement.

The French position as expressed by Mr. Francfort remains unchanged. It contemplates first the issuance of a tripartite declaration, second, endorsement by the United Nations, and then formal notes to the Italian Government waiving the Italian obligations to the governments concerned and renouncing the moral stigma of the Treaty. The following dangers of this position were stressed in the discussion of Mr. Francfort's remarks: it would not provide the Italians with the initiative; and endorsement of this action by the United Nations would present serious obstacles. I pointed out that both the British and ourselves were still uncertain about the desirability of going to the United Nations and that if we were to go to the United Nations it would not be for endorsement but merely for a resolution in which the United Nations would note with satisfaction the action taken. Moreover, unless we were assured of a big majority, it would be best not to submit the question at all.

Mr. Francfort also expressed concern about the juridical effect of our action revising the Italian Treaty. We commented that the action taken would not in legal terms constitute revision of the Italian Treaty but would rather consist of a renunciation of Italy's obligations to the governments concerned in connection with the specified articles of the Italian Treaty. We hoped, however, that the action would be considered by the public at large as revision and that the press would so term it, although in legal terms it would not, in fact, be revision. Mr. Francfort said that he did not know what Mr. Schuman's position would be on this, but that he would endeavor to present to him our views before the discussions on this question. I turned to Mr. Francfort and said that this subject would be discussed with them this afternoon at the meeting of Mr. Acheson and Mr. Schuman. [4]

I agreed to present the British suggestions to the American delegation and give him an early reply.

HOMER M. BYINGTON, JR.

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[4] For the minutes of the Acheson-Schuman meeting of September 11, see vol. III, Part 1, p. 1249.

No. 303

Editorial Note

The Foreign Ministers of the United States, the United Kingdom, and France met in Washington on September 10–14 for a series of conferences covering a wide range of subjects including revision of the Treaty of Peace with Italy. These tripartite meetings were preceded by 2 days of bilateral discussions between the Foreign Ministers. Revision of the Italian Peace Treaty was discussed by Acheson and Schuman during their meeting on September 11 and by the three Foreign Ministers during their fifth meeting on September 13. For the minutes of these meetings, see volume III, Part 1, pages 1249 and 1279.

In preparation for these meetings, several series of position papers were drafted in the Department of State. Three papers were devoted to different aspects of the question of treaty revision: WFM T–6d, "Revision of the Italian Peace Treaty," September 12, *infra;* WFM T–6/1a, "Draft Documents Relating to the Revision of the Italian Peace Treaty," September 11, not printed; and WFM T–6/4, "Draft Declarations on the Italian Peace Treaty," August 10, not printed. These preparatory papers and their various revisions are in CFM files, lot M–88, box 158.

No. 304

CFM files, lot M–88, box 158

Position Paper Prepared in the Department of State [1]

SECRET
WFM T–6d

WASHINGTON, September 12, 1951.

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[1] The original draft of this position paper was prepared by a Steering Committee in the Department of State in anticipation of the Foreign Ministers meeting and was circulated as WFM T–6 of August 15 once it had been cleared with EUR, UNP, and L/EUR. Minor changes were made in the paper as a result of a Steering Group meeting of August 21, and the revised text was circulated as WFM T–6a of August 22. The first major alterations in the paper were recommended by the Joint Chiefs of Staff in a memorandum attached to a letter from the Acting Secretary of Defense to the Secretary of State, September 1. (665.001/9–151) As a result of these recommendations, the paper went through two further revisions which were circulated as WFM T–6b of September 7 and WFM T–6c of September 10. The final approved version, printed here, contained some additional changes resulting from a meeting between Acheson and Schuman on September 11. The major changes in the text are noted in the footnotes below.

REVISION OF THE ITALIAN PEACE TREATY

1. THE PROBLEM

To reach agreement with the British and French on revision of the Italian Peace Treaty.

2. U.S. OBJECTIVES [2]

To obtain a revision of the Italian Treaty which will:

A. Remove at the earliest practicable date the military restrictions now imposed on Italy, bearing in mind the importance of this action to the security interests of the United States;

B. Remove the psychological limitations on Italy's full participation in the common defense effort within NATO;

C. Have the widest possible political support among the signatories of the Treaty and the free nations.

3. BRITISH AND FRENCH POSITIONS

A. French Position

The French consider that action by the three Governments should consist of a declaration that their relations with Italy will henceforth be governed by the spirit of the North Atlantic Treaty rather than by that of the Peace Treaty, and that they recognize in principle Italy's inherent right of self-defense. This declaration would be submitted to the United Nations for approval or "consecration". Individual communications would be sent to Italy by the three Western Powers and by treaty signatories who are willing to join in, confirming or approving the declaration and informing Italy what practical conclusions (renunciations) are deemed to flow from it. These communications would merely indicate that as far as their senders are concerned, Italy would be free to ignore the treaty provisions in question.

B. British Position

The British recognize the need for substantive revision of the Peace Treaty but maintain that it should not be completed for about six weeks or two months to permit pressure on the Italians and Yugoslavs to settle the Trieste issue. Therefore, while in general accord with our procedure, they propose that we go ahead now with a declaration and include in that declaration a commitment to act on a future Italian request for revision. The British would

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[2] The wording for subparagraphs A and B was provided by the Joint Chiefs of Staff in their memorandum of September 1. They also proposed that the following subparagraph be included:

"Recognize that the obtaining of a satisfactory revision of the Italian Peace Treaty must not be subordinated to a resolution between Italy and Yugoslavia of the Trieste and reparations problems."

This recommendation was not included in the final approved version.

hope by this method to insure that *de facto* revision will be postponed until there has been a Yugoslav-Italian agreement on Trieste.

C. Both British and French stress the importance of avoiding any action which would meet opposition from Yugoslavia. They are also concerned over the effect of removal of the military limitations on our case against violations of the military clauses of the satellite peace treaties.

4. ITALIAN POSITION

Places principal emphasis on removal of the moral stigma of the Treaty and considers that action covering simply the military clauses, while necessary, would not be sufficient but they have not proffered nor been asked for their views.

5. POSITION TO BE PRESENTED TO THE BRITISH AND FRENCH

A. On substance, the US, UK and France should agree to support Italian action with a view to achieving *de facto* revision by entering into new understandings which will have the effect of revising:

1. spirit of the Treaty; [3]
2. military clauses (Articles 46–70) which limit Italy's ability to defend itself and to produce munitions for other NATO countries; [4]
3. Trieste provisions, in agreement with Yugoslavia, accompanied by mutual Italian-Yugoslav assurances that with a settlement there would be no outstanding territorial questions between them;
4. general political clauses (Articles 15–18) and the spirit of the Preamble which are no longer needed since the democracy they were designed to assure is no longer in question.

B. We should *not* agree to:

1. any tripartite declaration which (a) does not include specific assurances that *de facto* revision will follow at an early date; (b) which is not preceded by tripartite agreement on a procedure by which *de facto* revision can be achieved;
2. denunciation of the Treaty;
3. revision of the territorial clauses other than those relating to Trieste;
4. general revision of the economic clauses;

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[3] The following phrase, which appeared in all the previous revisions, was removed from the final approved version after Acheson's meeting with Schuman on September 11: "by a statement of readiness to negotiate bilateral agreement which will base relations with Italy on the spirit of the NAT rather than that of the Peace Treaty."

[4] The addition of the phrase "and to produce munitions for other NATO countries" was made at the request of the Acting Secretary of Defense in his letter of September 1 and was included in the subsequent revisions of this paper beginning with WFM T-6b of September 7.

5. revision of those clauses covering Italy's international commitments and commitments to specific countries (Articles 24 through 44);

6. abrogation of provision for settlement of disputes (Article 87), as we cannot abrogate the rights of the USSR to participate therein and should not abandon the veto over Soviet actions provided in Article 87.

C. On procedure, we should, if our position on substance is accepted, support the British proposals with modifications and specifically agree with the British and French on:

1. the language of a declaration for which we propose a redraft (WFM T-6/4 [5]) of the British declaration to include reference to the Italian request; and to our continued support of Italy's application for admission to membership in the UN;

2. prior consultation with the Italians before discussion with other NATO signatories;

3. discussion with the Italians regarding the text of their Note which might be sent in response to the declaration;

4. issuance of the declaration following the discussions with the Italians at the Ottawa meetings. [6]

D. On timing, we should agree that formal replies constituting *de facto* revision by a new understanding should be made to the Italian request before the General Assembly convenes in Paris on November 6 even though a Trieste settlement may have not been reached. Since UN endorsement of *de facto* revision may be desirable, a statement of agreement by the friendly signatories including the settlement, if one is reached, of the Trieste question may, if advisable, be brought before the General Assembly under Article 14 of the Charter for UN endorsement. We should not, however, seek an Assembly "recommendation" or "authorization" but merely a note of satisfaction. [7]

E. By stressing that the external threat to Yugoslavia is the same as that facing Italy, and in light of Tito's statement he will not object to revision of the military clauses if the two countries have reached previous bilateral agreement on Trieste and on settlement of reparations accounts, we believe Yugoslav support can be obtained.

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[5] Regarding WFM T-6/4, see the editorial note, *supra*.

[6] Paragraph C was entirely rewritten after Acheson's meeting with Schuman on September 11. In the previous revision, WFM T-6c of September 10, paragraph C reads as follows:

"Formal initiative should come from Italy; the US, Britain and France should avoid the commitments inherent in public declarations of intention until the Italians have publicly taken previously agreed action."

[7] The sentence "Action should be completed before the German settlement is signed," which appeared in all previous revisions, was omitted from paragraph D in the final approved revision.

F. We do not agree that consideration of the satellite treaties should delay action on the Italian Treaty. Violation of the satellite treaties should be used in any way that will best support action on the Italian Treaty. [8]

No. 305

665.001/9-1351

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington)

SECRET [WASHINGTON,] September 13, 1951.

Subject: Italian Peace Treaty

Participants: Mr. Burrows, Counselor, British Embassy
Mr. de Juniac, Counselor, French Embassy
Mr. Luciolli, Counselor, Italian Embassy
Mr. Byington, Director, WE

I informed Mr. Luciolli that we had asked him to meet with us in order to give him as quickly as possible the views of our Ministers with regard to a possible procedure for the *de facto* revision of the Italian Peace Treaty.

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[8] Paragraph G, which only appeared in WFM T-6c of September 10, was omitted in its entirety from the final approved revision. It concerned tactics and reads as follows:

"If we find that British and French will not agree to our procedure for revision and insist on agreement only to a declaration, we should take advantage of the British halfway position and suggest agreement on a declaration, providing the British and French will agree to our procedure for *de facto* revision and to an early date at which it should be initiated. If we could obtain such a compromise, there are alternative declarations which we might suggest. (WFMT-6/4) We should stipulate as essential that no declaration should be made public until after De Gasperi has had an opportunity to see it, and present his views. If the French state that the Italian Prime Minister has already approved their draft we should take exception in that he has communicated other views to us. It might help in answering the French doubts concerning our procedure to point out that ours is not 'revision by agreement' but involves unilateral renunciation with the advantage of having responsibility for the initiative come from Italy. While we shall welcome the use of the word 'revision' in publicity about our action, the French should realize that our procedure is in the sense of revision no different from theirs.

"We should maintain that any declaration which is not accompanied by acceptance of a procedure for *de facto* revision is worse than no action at all. Such a declaration would be popular for a brief period and would be followed by an adverse reaction as soon as it had become evident that it had not, in fact, assured *de facto* revision. Therefore, it would not satisfy our own public opinion nor would it benefit the Italian Government."

I then explained orally the procedure outlined in paragraphs 1, 2, 3, 4, 6 and 7 of the procedure adopted by the Foreign Ministers at their meeting during the afternoon. [1]

Mr. Luciolli then discussed in general the whole procedure with all three of us and he was reassured that the three governments all contemplated presenting the declaration and the notes in the best possible light with due consideration to the Italian requirements for their public opinion and that it was hoped to have as many of the signatories as we possibly could join with us in the contemplated procedure. Mr. Luciolli said that he would leave immediately for New York to convey the information to the Italian Prime Minister [2] and would probably return tomorrow with Mr. De Gasperi's preliminary reaction.

Mr. Luciolli later asked me privately whether there was any proposal to connect the question of Trieste with the procedure the Ministers envisaged for the *de facto* revision of the Peace Treaty. He said that Prime Minister De Gasperi would certainly raise this question with him. I replied that he should inform the Prime Minister we had given him, Mr. Luciolli, all the information which the Foreign Ministers had instructed us to give him, that we were not instructed to go into any further matters.

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[1] This is presumably a reference to specific paragraphs of Tripartite D-1, "Italian Peace Treaty," September 13, approved as a course of action by the three Foreign Ministers during their fifth meeting on September 13. For a record of this meeting and text of Tripartite D-1, see vol. III, Part 1, pp. 1279 and 1295.

[2] De Gasperi visited New York, September 11–13, on his way to Ottawa where he planned to attend the Seventh Session of the North Atlantic Council, September 15–20. For documentation on the Seventh Session, see *ibid.*, pp. 616 ff.

No. 306

765.5-MAP/9-1751

Summary of Studies Prepared in the Department of Defense [1]

TOP SECRET [WASHINGTON, September 17, 1951.]

THE EFFECT OF LIMITATIONS IMPOSED BY THE ITALIAN PEACE TREATY ON ITALIAN OBLIGATIONS UNDER NATO PLANS

ARMY

It is not possible to make the present ten (10) division Italian Army effective as to size, organization and composition without augmenting it with approximately 321,000 personnel in excess of the treaty limitation of 185,000. There are other hampering factors such as a shortage of trained commissioned and noncommissioned officers. However, when these obstacles are overcome, the Italian Army cannot, according to NATO standards, attain an effective strength and organization under treaty limitations. This deficiency in overall strength and composition will increase to approximately 470,000 for the thirteen (13) division Italian Army called for by 1 July 1952 in the MTDP.

NAVY

With respect to that portion of the treaty which limits the "total standard displacement of war vessels" to 67,500 tons, a recent review of Italian combatant naval tonnage indicates an existing tonnage of 69,098. This figure takes into account present Italian holdings other than those acquired under the Mutual Defense Assistance Program, plus those combatant vessels which have either been delivered or are projected for delivery under approved MDAP's. In the proposed FY 1952 MDA Program, there is programmed an additional 6020 tons of combatant vessels which, when delivered, will bring the tonnage total to 75,118 tons, or approximately 7618 tons in excess of the limitation imposed by the treaty. If the treaty limitations are strictly adhered to, it will be necessary to cancel the naval assistance program for FY 1952 as recommended by the Joint Chiefs of Staff, insofar as it relates to combatant naval tonnage. It will also be necessary to require the Italian Government to scrap approximately 1600 tons of existing vessels.

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[1] This summary was transmitted to the Department of State in a letter from Secretary of Defense Lovett, September 17. Lovett was responding to a request from Deputy Under Secretary of State Matthews of August 27 concerning the Department of Defense estimate of the impact of the Italian Peace Treaty limitations on Italian obligations under NATO plans.

In order for Italy to meet the naval contributions of the North Atlantic Treaty Organization Medium Term Defense Plan force requirements as recommended by the Joint Chiefs of Staff as a revision to DC-28, [2] a combatant vessel tonnage of approximately 127,652 tons will be required.

AIR FORCE

The effect the Italian Treaty limitations will have on Italy fulfilling its obligations to the NAT Organization between now and 1 July 1952 will be to:

a. Delay the planning and necessary programming of aircraft to enable the Italian Air Force to meet its NATO commitments in 1954.
b. Prohibit delivery of first-line aircraft to Italy under MDAP.
c. Prevent the training of the required number of personnel to man aircraft required in D.C. 28.
d. Limit the use of Italian aircraft industrial capacity in supplying Italy and other NATO countries.

The present Italian Air Force of 921 aircraft is 571 aircraft overstrength. However, all of these aircraft except the transports are obsolete and do not meet NATO requirements. First-line aircraft cannot be delivered to Italy while her present aircraft are in excess of the treaty limitations. Sixty-two F-84s and thirty-six S2C aircraft are presently allotted to Italy under MDAP up to July 1952. If the treaty limitations are not lifted by 1 November 1951, these aircraft will have to be reallocated to other NATO countries. This will prevent Italy from meeting her full commitment to NATO in 1952, 1953 and 1954. 534 combat aircraft are required in 1952 by DC-28.

The present treaty limitations of 25,000 personnel prevent Italy from training the required number of people (70,000 personnel) to man the aircraft required in DC-28.

The Italian Treaty limits the manufacture of war material per se. Should the limits be lifted, it is estimated Italy could produce with outside assistance the majority of her aircraft requirements of DC-28 and also supply jet engines for other NATO countries. Her industrial potential and present source of trained workers in the aviation industry, which are now working in other fields due to the treaty limitations, would make her a European aviation producer surpassed only by the United Kingdom.

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[2] DC-28, approved by the NAT Defense Committee on October 28, 1950, contained the plans for a 4-year defense program for NATO; also referred to as the Medium-Term Defense Plan.

No. 307

740.5/9-1951: Telegram

The United States Delegation at the Seventh Session of the North Atlantic Council to the Acting Secretary of State [1]

CONFIDENTIAL
PRIORITY

OTTAWA, September 19, 1951—3 p.m.

Secto 20. Dept pass Paris, London. Secy, Schuman and Morrison met with De Gasperi for an hour and outlined to him the procedure agreed between the three with a view to revising the Italian peace treaty. [2] De Gasperi expressed his deep appreciation for our initiative and expressed full agreement with the procedure. As to details he could not comment until texts had been studied and particularly proposed Italian note. Contents of declaration given to Italians as draft. De Gasperi particularly concerned by reservation re "without prejudice to rights of third parties". Thought it too loose and feared result might be to leave Italy alone in regard to USSR.

Secy explained that we were not only providing for "unfriendly states," but also for other friendly signatory powers for whom Big Three not entitled to speak.

In course discussion Schuman stressed that French had particularly in mind rights of French nationals under peace treaty and public reaction in France if these waived by govt. De Gasperi said Italy of course did not wish to denounce principle of reparations, but had to draw line somewhere. Schuman reassured him by saying French Govt had already taken steps establish Oct first as deadline by which French nationals had to register their claims for Italian reparations.

Re timing, it was explained to De Gasperi that we would be ready release declaration immediately upon agreement Italian note to follow. Hoped this would be possible while De Gasperi Washing-

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[1] Repeated to Paris, Rome, and London.

[2] Regarding the course of action adopted by the three Foreign Ministers during their meeting of September 13, see the memorandum of conversation by Byington, Document 305. Immediately following the Washington Foreign Ministers meetings, representatives of the United States, the United Kingdom, and France began a concentrated effort of drafting and revising a tripartite declaration on the revision of the Treaty of Peace with Italy. Using a British draft as the basis for negotiations, these representatives agreed to a text after a series of meetings in Washington. The proposed text was sent to Ottawa in telegram Tosec 11, September 18, for consideration by the Foreign Ministers who were there to attend the Seventh Session of the North Atlantic Council which met from September 15 to 20. The memoranda of the conversations concerned with drafting the declaration are in file 665.001.

ton. [3] It was decided drafting work on declaration and note would be done in Washington between Dept and Emb reps. [4]

Aside from substantive points "as far as concerns itself" in fifth para unclear as possibly referring to Italian Govt instead of three govts. Please draft alternate language.

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[3] Regarding De Gasperi's visit to Washington, September 24-27, see Document 309.

[4] Representatives of the United States, the United Kingdom, France, and Italy held a series of meetings, September 21-24, in Washington in order to reach an agreement on the wording of a tripartite declaration. Documentation on these meetings is in file 665.001.

No. 308

665.001/9-2451: Circular telegram

The Secretary of State to Certain Diplomatic Offices [1]

SECRET WASHINGTON, September 24, 1951—9 p.m.

278. US, UK, and France will release at 12 noon Washington time Wed Sep 26 simultaneously in Washington, London and Paris, Declaration by UK, France and US re Ital Peace Treaty. Text of this Declaration is contained in immed fol tel. [2]

You are instructed to concert with your Brit and Fr colleagues who will receive similar instrs from their respective FonOffs in informing govt to which you accredited this proposed release. Any procedure for carrying out these instrs which you may work out with ur Brit and Fr colleagues will be acceptable. The action informing govt shld be timed so that no more than 6 hrs advance notice will be provided. Brit have indicated desire inform Commonwealth signatories directly on our behalf thus action on this instr not required by recipients this tel those countries.

In addition to providing text of Declaration to appropriate official of govt to which you accredited, you shld supplement text with oral statement along fol lines:

(1) It is hoped that other countries, specifically country to which you are accredited, will publicly signify their approval this Declaration and will be prepared take similar action.

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[1] Drafted by Hilton and cleared with Bonbright, AF, NE, SOA, GTI, NA, L/EUR, UNP, EE, and BNA. Sent for action to Belgrade, New Delhi, Athens, Addis Ababa, Brussels, Rio de Janeiro, Mexico City, Karachi, Baghdad, and The Hague; repeated to Paris, London, Rome, Pretoria, Wellington, Canberra, Ottawa, and Trieste.

[2] Circular telegram 279, September 24, is not printed (665.001/9-2451). For the text of the declaration as it was issued on September 26, see Document 317.

(2) The permanent restrictions and discriminations now in existence which are wholly overtaken by events or have no justification in present circumstances are deemed to include the spirit as reflected in the Preamble, Art 15 to 18, and Art 46-70 of the Ital Peace Treaty including Annexes XII and XIII insofar as they relate to these arts. If the Itals so request in response to the Declaration, the US will be prepared to relieve Italy of all obligations to the US under these arts and to affirm that the spirit reflected in the Preamble no longer affects the friendly relations between the two countries. The US is not prepared, however, to take action beyond renunciation of the above mentioned provisions.

(3) It is presumed that Ital Govt in reply to the Declaration will send notes containing an Ital request to all signatories.

(4) Upon receipt of an Ital request the US, UK and Fr propose to consult with the other signatories prior to sending definite acceptance. Ital note of confirmation of this acceptance will constitute an exchange of notes which will have the effect of *de facto* revision of these provisions of the Ital Peace Treaty insofar as the individual relations between Italy and each country exchanging notes are concerned.

FYI we envisage process of consultation will take about 6 weeks to 2 mos.

(For Belgrade only: Supplementary instrs re above to Trieste will follow)

ACHESON

No. 309

Editorial Note

In conjunction with his attendance at the Seventh Session of the North Atlantic Council in Ottawa, Prime Minister Alcide De Gasperi was invited to visit Washington for a series of conferences with the Secretary of State and the President. Arrangements were made for De Gasperi to arrive in Detroit on September 22 where he gave a speech before the Detroit Citizens Committee and the Detroit Foreign Policy Association which was carried on the radio. After a visit with the Italian-American Association on September 23, he left Detroit and arrived in Washington the following day where he was met by the President and the Secretary of State. At noon on September 24, De Gasperi addressed a joint session of Congress. His speech is printed in Department of State *Bulletin*, October 8, 1951, pages 566-568.

During the next 3 days, De Gasperi held 6 conferences with Department of State officials and the minutes of all of these meetings are printed below. As background for these meetings, preparatory papers were written on numerous subjects affecting United States-

Italian relations. These papers, totaling 15 in number and identified as the IPM D-series, are not printed here. The preparatory papers as well as the minutes of the meetings are in CFM files, lot M-88, box 159, Conversations with the Italian Prime Minister; or Conference files, lot 59D95, CF 95.

Shortly before De Gasperi returned to Italy, he spoke at a dedication ceremony for the Equestrian Statues at the Arlington Memorial Bridge Plaza which was attended by the President and the Secretary of State. The four statues, modeled after the designs created by two American sculptors, Leo Friedlander and James E. Fraser, were cast in bronze by Italian craftsmen as a token of good will and as recognition of the economic assistance given Italy since the war by the United States. The dedication speech given by De Gasperi is printed in Department of State *Bulletin*, October 8, 1951, pages 564–566.

No. 310

CFM files, lot M-88, box 159, Conversations with the Italian Prime Minister

United States Minutes of Italian Prime Minister De Gasperi's Private Meeting With the Secretary of State, Office of the Secretary of State, September 24, 1951, 3:30 p.m. [1]

SECRET

PRESENT

Mr. Acheson
Mr. De Gasperi

ALSO PRESENT

U.S.
Mr. Perkins
Ambassador Dunn
Mr. Byington

Italy
Ambassador Tarchiani

Mr. De Gasperi referred to his conversation in Ottawa with Secretary Acheson concerning Trieste. [2] He touched briefly on the recent history with regard to the area, mentioning the indignation of Italian public opinion over the abandoning of all the Italian

[1] According to the cover sheet, these minutes were circulated as IPM MIN-5 on October 5. Although not included in the list of those present, Count Zoppi also participated.

[2] For a summary of this conversation, see telegram Secto 20 from Ottawa, Document 307.

towns, even to Pola, under the provisional arrangements which began with the Morgan Line. The Prime Minister said that this question was so important to the Italian people that it would not be possible for his government or any other Italian government to come to a compromise which would not save the Italians now resident in Zone B. He pointed out that 180,000 Italians had been displaced under the Peace Treaty. The Italian people cannot forget this and they could not possibly consider the loss of additional Italians now when Italy is a member of the Atlantic Pact. He said it was not primarily a geographic problem but one of peoples. Psychologically, he compared its importance perhaps to that of Gibraltar to England. As far as any negotiations in Yugoslavia were concerned, he saw various possibilities within the boundary of a practical solution. All of these possibilities require the Declaration of March 20 [3] as a point of departure for negotiations. He did not insist on a formal statement of such a position but Tito must know this fact. In an ethnical solution Italy could renounce in Zone B the area populated by Slavs, but could never give up the area populated by Italians. He produced two maps of the Free Territory and outlined on them in a general way what he had in mind. This was approximately the northern half of Zone B to Yugoslavia, the coast and southern half to Italy and a small portion of the hinterland of Zone A to Yugoslavia.

The Prime Minister then spoke of the administration of Zone A. He expressed concern that the impression was going around Italy that the military authorities in command of Zone A were abandoning the policy set forth by the three Governments in the March 20 Declaration. Instead they were adopting a policy of neutrality with regard to Zone A. He said that it was his aim to obtain our support for an instruction to the military administration of Zone A that it should be guided in its policy by the spirit of the March 20 Declaration. He pointed out that since the Trieste provisions of the Peace Treaty had been pronounced unworkable the only legal and proper basis for administration of the Zone was on the basis of the old Italian legislation. He mentioned the issue of the jurisdiction of the Rome Court of Cassation and said that public agitation with regard to AMG's refusal to accept that jurisdiction was greater than in the case of any other question under dispute.

Referring back to the question of an Italo-Yugoslav solution, the Prime Minister said that he had tried in July to converse with Tito and that the conversations had resulted in a negative conclusion.

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[3] For the Tripartite Declaration of March 20, 1948, which favored the return of the Free Territory of Trieste to Italy, see *Foreign Relations*, 1948, vol. III, p. 517.

Fortunately they were held in secrecy, as otherwise they might well have made the question more bitter than it is now.

The Prime Minister said that he acknowledged the need for greater emphasis on rearmament by the nations participating in the Atlantic Pact. He said that in leading the Italian people towards this objective the Trieste question represented a basic element in the picture since it would be impossible for them to understand that the Atlantic Pact did not also cover the Trieste question. He pointed out that the successful elections of 1948 had been based on that Declaration.

Referring back to the administration of Zone A, the Prime Minister pointed out that under the Morgan Agreement with Tito of June 11, 1945, [4] which established Zone B, it had been stipulated that the military occupation should not affect the civilian administration. He said this had been violated by the Yugoslav Government which had immediately embarked on a program of communization in that area. At the moment of the coming into force of the Peace Treaty with Italy, the American and British Governments enunciated a series of principles to be followed by the commanders of the two zones of the Free Territory of Trieste pending the appointment of a Governor. The two governments had particularly emphasized that nothing should be done by the commanders which would conflict with the provisions of the Peace Treaty. With the Tripartite Declaration of March 20 there was introduced a completely new application to the problem of Trieste and it would have seemed logical with respect to Zone A that AMG would have conformed in its policy to the spirit of the Declaration. In other words, pending the general solution for Trieste, AMG should have allowed the local and central Italian authorities in Zone A to exercise the maximum possible administrative jurisdiction and other functions. Such a consideration was in fact contemplated also by the Treaty of Peace whose pertinent portions were to be interpreted in a broad, rather than restrictive, sense. Unfortunately exactly the opposite is taking place. The AMG is extending its functions to the disadvantage of the Italian offices and growing larger and larger. The Italian Government felt that the whole AMG administration should be regarded as a temporary and provisional one as envisaged by the March 20 Declaration and that the line of policy of the Allied Government should aim at the return of the Territory of Trieste to Italy. In that case it believed that it could find a juridical basis for the general rules of international law (Article 43 of the

[4] For documentation concerning the Morgan Agreement, whereby zones A and B were separated as established in the Belgrade agreement of 1945, see *Foreign Relations*, 1945, vol. IV, pp. 1189–1191.

Hague Convention of 1907) regarding the legislation existing in occupied territories. Pending an ultimate solution of the Free Territory the Italian laws should continue to be enforced in the Territory according to the ordinary rules governing the administration of occupied territories in time of war. Article 10 of Annex VII of the Treaty of Peace provides that "Existing laws and regulations shall remain valid unless and until revoked or suspended by the Governor." As the Governor has never been appointed and the Free Territory was never constitutionally established, it follows that the existing Italian laws and regulations cannot be revoked or suspended by the present provisional military administration. This is especially important in the matter of the administration of justice. The right of appeal as a fundamental right pertaining to every citizen in every democratic country, should therefore not be denied to the citizens of Trieste and the competence of the Court of Cassation in Rome should be recognized in the Free Territory.

Taking up the question of Italo-Yugoslav relations, the Prime Minister pointed out that they had in the past few years made some twenty or thirty agreements with Yugoslavia and in fact now had some five to six and one-half milliards of lire which were frozen in Yugoslavia. As regards any territorial settlement of Trieste they would be ready to consider economic concessions and such arrangements as, for instance, a Free Zone in the Trieste port itself which should serve as a natural outlet for the hinterland.

Referring back to negotiations between the Yugoslav Government and the Allied military authorities establishing the Morgan Line, he wondered whether a solution could not now be negotiated by the Allies with Yugoslavia to establish a new line which would include an ethnic zone in Zone B to be occupied by the Allied military authorities. The Secretary did not believe that any attempt at such an arrangement should be undertaken. The Prime Minister wished to reemphasize above everything else that it would be most dangerous for Italy to begin conversations with Yugoslavia if the Italians did not have in sight the conclusion which it would be possible to reach. Failure would make the situation much worse and jeopardize the internal position of the Italian Government. He recognized that it was in the interest of Italy to facilitate the strengthening of Yugoslavia and that it was of great importance to Europe as a whole that Yugoslavia should continue to exist independently of the Soviet Union.

. . . . . .

The Secretary said that he realized the great importance which public opinion in both Yugoslavia and Italy attached to the question of Trieste. At this point the Prime Minister interpolated that his public opinion was different from that of Tito's in that he had

to maintain a dangerous balance, whereas Tito had no such problem. The Secretary continued by saying that the Free Territory of Trieste represented the last remaining unresolved territorial problem in Western Europe. It represented, as the Prime Minister had said, a constant danger subject to unforeseen incidents and provided the Soviet Union and the Cominform with an opportunity to stir up feelings against both Italy and Yugoslavia on the part of each other and also to incite the inhabitants of the Free Territory against both governments. The passing of time does not help and the Italian position would seem to become worse. There were the difficulties the Prime Minister had pointed out concerning the administration of both Zone A and Zone B, as well as the possibility of the growth of elements in the Territory who for various reasons might turn to an appeal for independence.

The Secretary pointed out that he had told the Yugoslav Ambassador that in his opinion there was no ideal solution. In his own search for a basic principle which could be supported both in Yugoslavia and in Italy, he could find only the ethnic principle. When the Yugoslav Ambassador had said to him that Yugoslavia would never give up any territory occupied by Yugoslav troops during the war, he had replied that such a position was hopeless if agreement with Italy were to be reached. He said that the Yugoslavs must center their minds upon the question of the people themselves. If the Italian and Yugoslav Governments could say that their people will not be placed under the rule of the other nation it would provide the only possible basis for general public acceptance in both countries. He recognized that it was hard to know where the demarcation line should be placed and that there was a difficult problem of how to begin negotiations. He said that preliminary and secret conversations with Yugoslavia would be essential. He said that it would be impossible to achieve success unless the negotiations began without preconceived conditions. He said he had been stressing with the British that they must help persuade the Yugoslavs to negotiate. Ambassador Dunn, when asked by the Secretary for his view, said that he agreed with the Secretary that the only hope and possibility for a solution would rest on the willingness of both sides to consult on the principle of an ethnic line. The Prime Minister then pointed out that the Yugoslavs would unquestionably speak about Slav minorities elsewhere in Italy than in Zone B. He pointed out that Italy has already lost under the Treaty some 180,000 Italians in the Istrian Peninsula. Already suffering from this previous loss, the Italian people would hardly be in the mood to receive such claims. Therefore, unless the discussions were limited at the outset it could only lead to failure which would make the

general situation worse, rather than better. The March 20 Declaration therefore must be a point of departure in the conversations.

It was essential that the conversations should be within that framework and must begin with discussions on Zone B. He recognized that in order to make a solution acceptable for Yugoslavia there might have to be concessions in Zone A and he would be willing to do this as he had indicated, always within the very strict limits of his possibilities. The Secretary pointed out that he had emphasized to the Yugoslavs that their wish to begin negotiations from a rigid position was impossible and likewise he felt that an entry into discussion stipulated on the March 20 Declaration as a point of departure was not possible.

Mr. Perkins pointed out that Yugoslavia also had a public opinion and in their present difficult situation it was most important for the Yugoslav Government to keep their hold on their people. Count Zoppi inquired whether the United States would not help in bringing the two governments together and Mr. Perkins agreed that it might be possible to call in Ambassador Popovic again and urge the Yugoslavs to facilitate a start. The Prime Minister insisted that first of all we must prepare a new atmosphere which would not involve in the beginning of any negotiations reference to Zone A. He reiterated that even now all the lawyers in Italy were protesting about the issue of the Court of Cassation in Zone A. He emphasized that in 1949 when he was in Trieste and spoke before a crowd of 200,000 people, he gave his own person as a hostage for the good faith of the United States, United Kingdom, and France when they made the March 20 Declaration. His whole Government was committed to that understanding and he could not renounce it in a public statement. He said that if a solution of the Trieste question were to be imposed on Italy on some such basis as that demanded by the Yugoslavs, he would be ready to leave office if a successor could be found who cound accept it, but he did not believe there was any one in Italy who could obtain the support of the Italian people for a solution which placed Italians under Yugoslav rule.

The possibility was mentioned of discussing this matter with Ambassador Velebit, who had now been assigned to Rome and was presently in the United States, with a view a exploring the situation with him.

No. 311

CFM files, lot M-88, box 159, Conversations with the Italian Prime Minister

United States Minutes of Italian Prime Minister De Gasperi's First Formal Meeting With the Secretary of State, Department of State, September 24, 1951, 4:30 p.m. [1]

SECRET

PRESENT

Mr. Acheson (U.S.)
Mr. De Gasperi
(Italy)

ALSO PRESENT

U.S.
Mr. Perkins
Mr. Barrett
Mr. Hickerson
Amb. Dunn
Mr. Byington
Mr. White
Mr. Green
Mr. Christensen
Miss Kirkpatrick

Italy
Mr. Janelli
Amb. Tarchiani
Amb. Zoppi
Mr. Venturini
Mr. Luciolli
Mr. Sensi
Mr. Canali
Mr. Panza

REVISION OF THE ITALIAN PEACE TREATY

Copies of the UK-French-US draft Declaration on the Italian Peace Treaty, incorporating revisions previously suggested by the Italian representatives were distributed to those present. [2] The Prime Minister suggested avoiding the title "Tripartite Declaration". The Secretary suggested that the title "Declaration of France, the United Kingdom, and the United States on the Italian Peace Treaty", and this was agreed. Minister Janelli reviewed the changes in the original text which had been proposed by the Italian Government. The Prime Minister said that with the incorporation of these changes the draft was now acceptable to him. He noted, however, that he would have preferred that the reference to "the rights of third parties" in the fifth paragraph be deleted. The Secretary recalled that the suggestion that this phrase be deleted

[1] According to the cover sheet, these minutes were circulated as IPM MIN-1 on October 1.

[2] Regarding the drafting of this declaration, see telegram Secto 20 from Ottawa, Document 307.

had been discussed and that the French were opposed to it. Minister Janelli said that another question was the interpretation of the word "individual" in the fifth paragraph, noting that this was difficult to translate into Italian. The Secretary explained that the phrase meant each country will negotiate bilaterally with Italy.

The Secretary said that there is another problem about issuance of the Declaration that he felt could be worked out. He said that it was his understanding that the Prime Minister would like to have the declaration issued Wednesday, which we would like to do. The French and British Embassies have agreed, subject to formal approval of their respective governments that this can be done if the Italian Government gives an assurance that the subsequent Italian note to the three governments will not depart from the substance of the draft which the Prime Minister has seen. Ambassador Zoppi said that the Italian Government could agree on the substance of the note but reserved the right to suggest revisions in the text. The Prime Minister said that the substance of the note and not the form was most important. He stressed the following points: (1) political reference to the equal rights of Italy with other nations must be stressed; (2) on the military aspect of the note, regarding removal of the restrictions upon Italy, should be given secondary place; (3) economic questions should be covered, as a matter of procedure, with reference to the conciliation commissions for settling claims against Italy. Minister Janelli emphasized in the latter connection that Japan was not forced to submit to such provisions in her peace treaty; further, in Italy foreign citizens under the peace treaty provisions can continue to put their claims before the Italian Government indefinitely. He also pointed out that Italy has domestic laws on the subject, such as are referred to in the Japanese Treaty. This aspect of the Italian Treaty is, he concluded, a limitation on Italian sovereignty. The Secretary said that if we go beyond the substance of the present draft of the note it will be necessary to go back to the British and French and reopen discussions with them and he expressed doubt that under these circumstances it would be possible to issue the Declaration by Wednesday. The Prime Minister asked if it would not be possible to put a time limit on the presentation of claims against Italy. Ambassador Zoppi suggested that a line might be added to the Declaration to the effect that this particular problem will be considered at a later time. Mr. Perkins said that it would be possible for the Italians to discuss this later on in connection with our reply to their note and said that discussions would not be foreclosed simply because a reference to this problem was omitted in the Declaration. He explained that what the British and French want to know is that if agreement cannot later be reached on additions to the draft note, the Italian Government will

accept the substance of the present draft. The Prime Minister said that it was obvious that the United States and Italy must agree on essential questions but he asked why questions of procedure should be allowed to hinder us. He said he accepted the substance of the note in its present form, and suggested that it might be possible to get rapid clearance from the British and French on a change covering economic questions. The Secretary replied that he felt it important that the Declaration and the note contain those things which were really necessary and then if additional questions remain these can be brought up at a later date. The Prime Minister said he would be willing to leave the question except that he would not want later misunderstandings to arise. Ambassador Zoppi proposed that it be understood that the Italian Government would further discuss whether some formula could be included on economic matters; the Italian Government gives the assurance that if no acceptable formula is found, the Italian note will be substantially as in the present draft. On this basis it was agreed that the Declaration could be issued Wednesday, and that the Department would inform the British and French Embassies. [3]

Admission of Italy Into United Nations

Ambassador Zoppi recalled that the Prime Minister had submitted an *Aide-Mémoire* [4] to the Secretary at Ottawa on the admission of Italy into the United Nations and he asked that the United States give favorable consideration to the proposals set forth in the *Aide-Mémoire*. The Secretary said that the United States is studying the matter and will continue to do so. However, we have grave doubts about the Italian proposals. The World Court has said that an application for membership in the United Nations cannot be voted upon by the General Assembly unless all permanent members of the Security Council have voted in the affirmative on the application. The World Court has also said that a permanent member should not veto an application for membership on extraneous grounds. If the Italian application for membership were to be reconsidered by the Security Council and the Soviet Union, without explaining its position, simply cast a negative vote, it would not have done anything contrary to the opinion of the World Court. However, if the Soviet Union explains the reason for its veto, this would be a different situation, and the Soviet Government might be in trouble. The Secretary reiterated that the United States would continue to study the problem. Mr. Hickerson said that after further consideration of the *Aide-Mémoire* the Department would

[3] For the text of the declaration, see Document 317.
[4] The Italian *aide-memoire* is printed in vol. II, p. 335.

discuss it with the Italian representatives in Washington and New York, and with other friendly governments. He emphasized that the United States would do everything in its power to secure membership for Italy in the United Nations. He cautioned against expecting too much along the lines of the suggestions set forth in the *Aide-Mémoire*. He pointed out that Italy is in a unique position since it is the only nation whose application for membership in the United Nations has been vetoed four times and is also in a unique position since Italy, as trust administrator in Somaliland is the only non-member administering authority. The Prime Minister said that so long as Italy is not in the UN, there is an additional moral restriction upon Italy. The counterbalance to the signature of the Peace Treaty was to have been Italy's admission to the UN. The three-power Declaration on the Peace Treaty is desirable and necessary, but is not sufficient in itself to correct the moral position. The Secretary said that he thought this problem would be alleviated by the support of the great majority of the nations of the world for the action to be taken on the Treaty.

PSYCHOLOGICAL ACTION TO COUNTER TOTALITARIAN PROPAGANDA

The Prime Minister said that as he had remarked in Ottawa, we should not underestimate Communist propaganda efforts, through such groups as the Partisans of Peace. They are well organized, he continued, and are capable of enormous inventions. He said that the Festival of Berlin was not entirely a fiasco. [5] Despite the obstacles placed in the way of Italian youths, many of them had made their way through Austria and Germany to Berlin and had returned to their homes full of enthusiasm about all the talk of peace they had heard and about the chance to see the youths of France, Germany and other countries. The West has, however, not organized demonstrations like the one in Berlin. The West needs something positive for the youths of the Western world. We must avoid being on the defensive and putting all our emphasis on the military aspect of defense. We must speak instead of the reconstruction and unity of Europe and of democracy. The admission of Greece and Turkey to NATO makes our psychological task more difficult. [6] We cannot work from the basis of fear of the Russians, especially as they can divert fear, leaving us with no basis at all. The Prime Minister suggested a Joint Committee under NATO might be established to coordinate more positive programs in the member coun-

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[5] For documentation concerning the *Weltjugendspiel* in Berlin during August 1, see vol. III, Part 2, pp. 1987.

[6] Italy spoke out clearly in its support of the inclusion of Greece and Turkey in NATO both in meetings of the Council of Deputies in London in May and during the Seventh Session of the NAC in Ottawa in September.

tries; each would contribute and then implement the coordinated program at home according to individual national tastes. It is imperative that we capture the enthusiasm of the youths of our nations. The concepts of freedom, liberty, and democracy must be given a positive meaning and we must give to the Atlantic Pact a positive aim rather than one merely of defense. The Prime Minister said that, for example, if the United States in speaking of Germany says that it is willing to make concessions to the Bonn Government because we need their military contribution, that is bad. We must emphasize instead that in view of the threat of Russian domination we are giving Germany the right to free development and self-defense; this emphasis is psychologically sounder in Germany and also in France. He emphasized that the moves in Germany must be taken very rapidly since three or four months from now may be too late. The Prime Minister said he had spoken to M. Schuman about this problem, and recognized the latter's difficulties. The Prime Minister admitted that it would be very difficult to establish a European Defense Force because of such questions as contributions to its budget and the constitutional questions faced by each country. He stressed, however, that Italy was in favor of a European army since it may offer the way toward a European federation. He said that he knew that Mr. Acheson was aware of how difficult the problem of a European army was but if we wait until agreement is reached on all problems an army will never be established. He concluded by saying that it was essential that action be taken within the next month and that, to start, the military side of the EDF, might well be put under General Eisenhower's command.

The Secretary said that he agreed with the Prime Minister's analysis of the problem, and had the impression that M. Schuman also agrees. He said that it was his belief that once the details of a European army and general principles regarding the financial and constitutional questions were worked out it would be possible to put the army under General Eisenhower's command while details of the other institutions are being worked out. He expressed the belief that if we wait until all permanent institutions are actually created, there will be a long delay in creating an effective European army. He agreed that the NATO countries could not wait until all problems are settled before creating the army.

The Secretary also expressed agreement with the Prime Minister's comments on the need for positive psychological action. He said that Mr. Barrett and his staff, who are working in the field of information, recognize that we must intensify our appeal to youth. While there are certain structural problems to be worked out, the means of achieving the objective are a technical matter. He suggested that there were three possible appeals that could stimulate

enthusiasm among the youths of the free world as well as others. One way is through fostering closer political unity in Western Europe. The concept of European political institutions has always appealed to the youth of the nations. Second, we can foster the concept of an Atlantic community. He recalled that at Ottawa a group had been appointed to work on such non-military matters. Third, and beyond these first two steps, what is needed is a very large, specific program for peace. Instead of merely saying like the Russians that "we are for peace", this program would provide something positive and could, in fact, appeal to the finest of European traditions. If we can successfully put substance into these ideas, we can, indeed, capture the imaginations of our youth and others who are not yet too old for enthusiasm for the new idea of an Atlantic community. He agreed with the Prime Minister that we had been concentrating so much on the military aspects of the joint effort that we had not done enough on the political aspects. He assured the Prime Minister that the United States would work closely with Italy, as well as all other NATO countries in developing positive programs in the NATO context. Mr. Barrett said that we have been heartened by the steps the Italian Government and others are taking and by the cooperation between the U.S. and Italy here and in Rome. He said that he was also heartened by the steps that the NATO information service is taking. He stressed, however, that anti-Communist propaganda and the pro-free world propaganda can best be handled in each country by the people of that country. He said that the Voice of America can speak for the United States in Italy but that the Italians themselves must carry the major share in combatting totalitarian propaganda in their homeland.

The Prime Minister turned to the acuteness of the situation in the Near East and Africa. He said that Italy supports the principle of autonomy for the Moslem peoples, within a few decades or even a few years. He said it is important that those peoples not think the NATO powers oppose their efforts to be autonomous. He referred to the difficulties that the British and French have encountered in this area and also emphasized the strength of Communist propaganda in the Near East. The Secretary said that we in general share his views. He said that the United States believes that one of the greatest dangers would be to allow the Soviet Union to become the champion of nationalism in this area, with the NATO countries in a posture of opposition. He said we had urged this view on the British and French. He noted, however, that the governments of the Near East countries are for the most part in the hands of incapable people and when the people encounter trouble they invariably attempt to take it out on foreigners rather than on their government. The Secretary said that the United States recog-

nizes the problems that exist and have warned the British, for example, that it is futile to attempt to impose solutions upon these countries.

The Secretary and the Prime Minister then briefly discussed the question of what background information should be given the press following the meeting.

No. 312

CFM files, lot M-88, box 159, Conversations with the Italian Prime Minister

United States Minutes of Italian Prime Minister De Gasperi's Second Formal Meeting With the Secretary of State, Department of State, September 25, 1951, 9:30 a.m. [1]

TOP SECRET

PRESENT

United States
Mr. Perkins
Mr. McGhee
Mr. Hickerson
Amb. Dunn
Mr. Allison
Mr. Byington
Mr. Greene
Mr. Wallons
Mr. McClurkin
Mr. Mangano
Mr. White
Mr. Manfull
Miss Kirkpatrick

Italy
Amb. Zoppi
Minister Janelli
Mr. Luciolli
Mr. Catalano
Mr. Venturini
Mr. Sensi
Mr. Panza

RESUMPTION OF PEACE WITH JAPAN

Minister Janelli, after noting Italian participation in the war against Japan, commented on the continuing Italian desire to normalize relations with Japan. He pointed out that the problem had been held in suspense for some time and that, when revived in 1951, the negotiations for a Japanese Peace Treaty were hurried because of other pressing political events. He felt that in view of this haste the Department's promise to consult Italy on the Japanese Peace Treaty had not been fulfilled completely and that Italy

[1] According to the cover sheet, these minutes were circulated as IPM MIN-2 on October 1.

had not had sufficient time to put forward its suggestions. Therefore, the Italian Government now suggested that further efforts be made to provide for:

(a) An exchange of notes between the Italian and Japanese Governments, extending the provisions of the Japanese Peace Treaty to Italy; and,
(b) The indemnification of Italian nationals for damages suffered during the period between the Italian armistice and the end of war with Japan.

In connection with point (a), Minister Janelli said that the exchange of notes with Japan had not been achieved because the Japanese Government had presented counterproposals in which no reference was made to the Japanese Peace Treaty or to the damages suffered by Italian nationals. He stressed the adverse effect of this situation on Italian public opinion and pointed out that, while Italy was at war for only a relatively short time with Japan, the damages suffered by Italians were not less severe than those of most of the other allied powers. He said that Italian shipping suffered during the war and Italian nationals received after September 8, 1943, the same treatment accorded to nationals of the allied powers. He observed that Italy should receive at least the same treatment as Portugal in connection with the Japanese Peace Treaty. Minister Janelli also said that he understood that it is our position that Japanese assets in Italy are covered by Article 16 of the Japanese Treaty. While there are few if any Japanese assets in Italy, and the problem is thus not of large practical importance, the Italian Government had hoped that in recognition of Italy's status as cobelligerent with the Allies and of Italy's declaration of war on Japan, Article 16 might be interpreted so as not to include Italy among the countries covered by it. Minister Janelli urged the United States Government to intervene with the Japanese in an effort to effect an exchange of notes which would extend to Italy the general provisions of the Japanese Peace Treaty.

Mr. Allison replied that there were two aspects to the problem:

(a) the political problem of ending the state of war between Italy and Japan on a basis mutually satisfactory to both countries, a problem which he thought could be worked out satisfactorily; and
(b) the practical problem of the amount and distribution of Japanese assets available under Article 16 of the Japanese Peace Treaty. In connection with the latter he recounted that Article 16 had been developed relatively late in the negotiations on the Japanese Peace Treaty and was in effect a compromise. He noted that the majority of the countries desired to divide Japanese assets located in neutral countries, while the United States Government had maintained that such assets should be returned to Japan. The

United States position at that time was based on the following considerations:

(a) The allied powers had not agreed and gave little prospect of agreeing on the proper proportion of assets to be given each country involved;
(b) The Japanese economy would benefit from the retention of the assets; and
(c) The amount of assets involved was relatively small.

Since the countries were at odds, the United States had endeavored to solve this problem by proposing that these limited funds, estimated roughly at $20 million after deduction of expenses for servicing the properties involved, be used by the ICRC for humanitarian purposes.

Mr. Allison said that the Department fully realized the problem the Italian Government faced and was sympathetic to its position. However, the United States Government faced not only the problem of Italian opinion but also that of Japanese public opinion and felt that it was necessary to strike a balance between the two. He expressed the view that it would be possible to work out a mutually satisfactory solution.

With respect to the Italian-Japanese exchange of notes, Mr. Allison said that the Department's position was that: (a) if the latest formula suggested by the Japanese were acceptable to Italy, we would hope that Italy and Japan would go forward with the exchange on that basis; or, (b) if this formula were not acceptable to Italy then the United States Government would urge the Japanese to effect an exchange of notes on the basis of the original drafts. In the meantime he hoped that the Italian Government would not lead Italian public opinion to expect any significant amount of indemnification for damages.

Minister Janelli observed that the material indemnification was not of great significance but rather the moral and political principle involved. He said he would like to urge the United States Government to press Japan to accept the original draft notes. Mr. Allison assured him that the Department was prepared to do this and had already sent a message to Tokyo containing the substance of the United States position. Ambassador Zoppi said that prior to his departure from Rome a message had been despatched to the Italian representative in Tokyo instructing him to continue his effort to reach agreement with the Japanese Government on this subject. In closing, Mr. Allison pointed out that there was evidently a slight misunderstanding with respect to the treatment accorded Portugal in relation to the Japanese Peace Treaty, since the solution for Portugal was practically identical to that proposed for Italy.

ADMINISTRATION OF THE INTERNAL SECURITY ACT

Minister Janelli outlined the Italian position along the following lines: The Internal Security Act has made it extremely difficult, if not impossible, for Italians to come to the United States since it denied entry to those Italians who were members of a totalitarian party. Since the totalitarian party has existed in Italy for about twenty-two years it is difficult to find any person who at some time or another has not been a member of a "totalitarian party." While the recent amendment to the Internal Security Act has relieved the situation somewhat, Italians desiring to come to the United States are still subject to long, complicated and sometimes humiliating investigations. In some cases the consular officers appear to have been given such narrow discretion in administering the law that the Italian people feel there is little possibility of review once a determination has been made in their case. The United States laws and regulations now in force seem to go beyond the spirit and the letter of the United States–Italy Treaty of Friendship, Commerce and Navigation of 1948, although United States citizens may still enter Italy freely and without investigation under this Treaty. There are two particular aspects of the problem which the Italian Government would like to call to the attention of the Department at this time: (a) discrimination against Italians who have permanent residence in the United States and who experience delays and difficulty in getting reentry permits before returning to Italy for official or personal reasons; and (b) similar delays experienced by Italian businessmen who are here as treaty-traders (with Section 3/6 visas) and who are reluctant to leave the United States without assurance that their visas will be reissued and whose business connections have accordingly suffered.

Mr. Perkins replied that as far as the Department is concerned we were obligated to carry out the provisions of the Internal Security Act, although we desire some changes in the law. At the present time we are endeavoring to obtain a uniform interpretation and application of the provisions of the Internal Security Act by the officials of the Immigration and Naturalization Service and the Displaced Persons Commission along the lines that judicial notice be taken that the rank and file of the members of the Fascist Party and its subsidiary or affiliated groups were involuntary members of the party. This interpretation, of course, would not include the leaders of the various parties or organizations who must be considered as voluntary members of these parties. We are hopeful of establishing a uniform interpretation but are not sure that it will be possible in the immediate future. We are more hopeful that a bill pending before the Congress revising our immigration laws will be

enacted. If so, its passage will simplify the problem faced by Italy and other countries, since the definition of "totalitarian party" will cover only those parties which advocate or have advocated the establishment of totalitarianism in the United States. After emphasizing the duty of the United States Executive Branch to administer the laws in accordance with the intent of Congress, Mr. Perkins said that the Department would continue its efforts in connection with the Internal Security Act and a bill now pending in Congress. Ambassador Dunn observed that the consular officers were doing their best to ease the situation but unfortunately procedures required by law consume considerable time.

Minister Janelli inquired whether, pending passage of the new bill, it would be possible to ease the new situation with respect to Italians having permanent residence or Italian treaty-traders in this country with regard to their reentry into the United States. He observed that in a sense this was a more important problem than that confronting an Italian national applying for his first visa to the United States. Mr. Perkins said that the question concerning the reentry of Italians into the United States had not been brought up in this form previously and that the Department would investigate the situation to see what could be done.

Germany and the European Defense Force

Ambassador Zoppi said that Italy from the beginning had agreed to the inclusion of Germany in the North Atlantic Community and the creation of a European Defense Force, While Italy does not under-estimate the difficulties involved in the creation of the European Defense Force, Italy hopes to find some solution regarding Germany which would permit German participation in European defense.

Mr. Perkins said that the Department believes that the time element is of extreme importance in this matter. Referring to Prime Minister De Gasperi's remarks of yesterday, he stressed the great urgency in working out a new contractual relationship with Germany and the problems relating to the creation of European Defense Force. He added that we must think not only in terms of a French problem but also of the German attitude on this question. In view of the problems posed by this timetable, the Department believes that faster progress could be made if the European countries could put aside temporarily some of the broad financial problems which must eventually be solved in connection with the European Defense Force, although certain financial problems, such as those relating to infrastructure, could be tackled at this time. Ambassador Zoppi said that the views expressed by Mr. Perkins coincided with the Italian views on the current situation.

SPAIN

Minister Janelli stated that the Italian Government on several occasions had expressed the opinion that to provide adequately for Western defense it was necessary to integrate all of the aspects of the defense problem. Therefore, in the long run Spain could not be ignored in considering Western defense. Moreover, while the United States Government was undoubtedly aware of the opposition voiced in connection with its recent approaches to the Spanish Government, such opposition has not been widespread in Italy. This does not mean that if steps toward the integration of Spain with the Western community were now pushed there would be no opposition to such moves on the part of certain requests of the Italian people or Government. The Italian Government believes, therefore, that the United States should proceed with the utmost care in its handling of the Spanish problem. Minister Janelli further felt that constant encouragement to Spain to evolve to some form of democracy would greatly facilitate Western efforts to integrate Spain in the Western defense effort. He said that the above views constituted the general attitude of the Italian Government on the Spanish question.

Turning to the Mediterranean area in general, Minister Janelli stated that the Italian Government desired to follow closely all developments. He said the Italian Government would be gratified if the United States would keep Italy informed, as the United States had done in the case of the British and French, on significant developments and expressed the view that in the past Italy had not been as fully informed as was desirable.

Mr. Perkins said that we agreed completely on the necessity of handling the Spanish question with the utmost care and on encouraging the evolution of Spain toward adoption of more democratic institutions. He observed that the principal objections to Spain at present were directed toward Franco and not toward the Spanish people. While the United States favors and would welcome a change which would ease the present political situation, we could derive only slight encouragement from the recent internal measures taken by Franco. Regarding the nature of the United States objectives and the nature of the recent conversations with Spanish authorities, Mr. Perkins said that conversations were promised on recognition of the strategic geographic position of Spain for the common defense of the North Atlantic area. He emphasized that Admiral Sherman's talks with Franco were only general in nature and that Franco merely indicated interest in Sherman's exposition. They had discussed the United States desire to acquire certain rights and privileges in Spain, including the use of anchorages in

Spain and Spanish territories, the right to land aircraft on Spanish airfields, and to overfly Spain. He emphasized that the establishment of United States shore installations or bases was not involved in these discussions. Mr. Perkins said that a United States technical mission is now in Spain surveying the improvements necessary for air and maritime facilities to meet United States requirements. This military team has no power to negotiate, but merely to report to the United States Government. He said the United States awaited their report in the hope of acquiring use of Spanish facilities, and expressed the view that some economic assistance to Spain might be necessary for this purpose. Ambassador Zoppi said that the Italian Embassy here would follow up on these questions with the Department.

Problems Relating to the Near and Middle East

Minister Janelli said that two points should be borne in mind in connection with what he called the deteriorating situation in the Near and Middle East:

(a) the contrasts among the different countries in the Near and Middle East would make it extremely difficult to integrate the countries bordering on the Mediterranean into NATO activity, and (b) the substantial and growing distrust of the West evident in these countries.

He expressed the view that we should not think solely in terms of military measures which should be taken in these countries since such measures are impossible unless the people will go along with them. Therefore, he conceived of the first task for the Western powers as one of attenuating the existing contrasts and distrust in order to render possible future cooperation in the military field. He believed that the Italian Government could help in this process because the Arab world realizes that Italy is no longer interested in territorial aggrandizement and because Italy is not directly concerned with the majority of specific issues in the area. The Arab countries, he believed, should be given the impression that the West is interested in their welfare and considers them equals. In this regard, he felt the U.S. and Italy should coordinate their policies toward these countries and endeavor to give the impression of non-interference in their internal affairs and of not blocking their development toward autonomy or independence. He felt that Italy had followed this line since the war and had obtained Arab friendship which could be used now in the interest of common defense. He urged the U.S. to inform Italy of developments in the area as we saw them and to instruct U.S. representatives at the various

posts to keep in touch with their Italian colleagues and to follow a common line insofar as possible.

Ambassador Zoppi said that it seems that the Middle East policies of some governments are still based on the principle of divide-and-rule. He said that this approach is out of date and that, in face of a common danger, an effort should be made to bring the Middle East countries together.

After expressing gratification over the solution of the Italian colonies problem, Mr. McGhee made the following points:

(a) The U.S. is relatively new in its direct interest and involvement in the Middle East. Unfortunately because of the Palestine problem and other factors, the U.S. has borne much criticism in certain of the countries.

(b) In connection with our policy of containing Communism, the U.S. has continued to send aid to Greece and Turkey. Turkey has proved to be a bastion in this area and a major deterrent to Soviet designs there.

(c) While the U.S. desires to obtain the greatest possible measure of political and military cooperation from the Middle Eastern countries, we are concerned over the increase of neutralism in the Arab world. The problem is primarily political and not military, since the ability of these countries in the military field is not substantial.

(d) Palestine presents a major problem in combating neutralism and assuring a defense in depth in the event of war. Although UN efforts to date to solve the Palestine problem have been unsuccessful, we do have some hope of making further progress by means of further progress in the refugee problem. In this connection the U.S. Government has decided that its contribution to the UNRWA for the next year will be $50 million. The U.S. would welcome an Italian contribution if Italy were in the position to make one. Another aspect of Israeli-Arab relations concerned the meetings of the Palestine Conciliation Commission in Paris. These meetings show little promise of success at this stage but will be continued in an effort to reach agreement.

(e) The U.S. has adopted a more positive policy to overcome neutralism in the area and to provide for military cooperation. An important aspect of this policy is our recent requests for authorization to: (1) transfer arms under certain conditions to Arab countries; and (2) provide $175 million in economic assistance to the area. It is hoped that in the implementation of these programs we may be able to combat the feeling among the Arab countries of being left defenseless and to establish a basis for further political cooperation. Furthermore, we believe the admission of Greece and Turkey to NATO should also help in this connection.

(f) The U.S. agrees on the necessity for emphasizing in its relations with these countries that such relations are on the basis of full equality.

Ambassador Zoppi expressed the view that these measures would help to combat the inferiority complex which characterizes these countries. However, care should be exercised in the implementa-

tion of policies since certain of these countries see in military cooperation a means of re-imposing colonialism on the area. Mr. McGhee agreed and added that any military arrangements which may be involved will be on the basis of equality. He pointed out that the problem of integrating Palestine into such arrangements would be extremely difficult, although we believe the Arab countries will cooperate with us as long as they do not have to cooperate directly with Israel. Mr. McGhee said that the U.S. would welcome Italian cooperation, observing that Italy is popular in the Middle East and that the majority of the countries have no fear that Italy will again become a colonial power. Ambassador Zoppi expressed the view that it would be desirable for the two governments to keep in close touch on these matters and to have instructions sent to the Italian and U.S. representatives in the area to exchange views and work closely together. Mr. McGhee concurred, adding that such a development would be most welcome.

Implementation of UN Resolutions on Libya and Eritrea

LIBYA

Minister Janelli said that developments concerning the implementation of UNGA's resolutions concerning Libya were in their last stages and that independence of Libya should be proclaimed soon. However, certain problems have arisen in connection with the implementation of the CA resolutions which Italy would like to discuss with the United States. Specifically, Italy has been informed of wide-spread Arab sentiment against actions being taken in Libya under the resolutions and that the Arab States intend to challenge the Libyan constitutional development program in the next session of the General Assembly and probably denounce the plan for putting present arrangements into effect. The Italian Government believes that the prospective attack can be headed off, and incidentally provide Egypt with a means of saving face, if provisions were made for recognizing Egypt's special interest in Libya. This could be accomplished by transforming the technical, financial and economic committees (consisting of the UN Commission, US, UK, France, Italy and Egypt) into permanent bodies outside the UN, to study and advise the Libyan Government on economic plans and to coordinate assistance from other countries. Three purposes would be achieved by adoption of this proposal:

(a) Recognition of the special political interest of the five powers in Libya by giving these powers a function in helping and assisting Libya;

(b) Provide a basis for technical collaboration between Libya and the West since Libya will be a new state and its people are unskilled in Government; and

(c) Avoid the danger that the Arab States will repudiate all that has been done thus far in building the new Libyan State with the attendant repercussions internally in Libya and among the Arab States. If the United States agrees with, and will support Italy in these proposals, Italy would do its best to persuade the Arab countries to take a less rigid and uncompromising attitude on the way in which Libya's constitutional development has been conducted.

Mr. Hickerson said that the United States was very satisfied with the progress made thus far in Libya and that the UN Commissioner and Council in Libya deserve high praise for their efforts. We also expect Egypt and some other Arab States to attack in the General Assembly what has been accomplished in Libya under previous UN resolutions but we are confident of the soundness of our position and hope that it will have the support of Italy. We maintain that the UN resolutions regarding Libya are being effectively implemented and this view will be expressed by the U.S. in the General Assembly. In particular, we believe that the Libyan National Assembly was constituted legally under the General Assembly resolution of November 21, 1949, and that a government established in accordance with the constitution approved by the National Assembly is a "duly constituted" government for an independent Libya. Whether elections should be held before or after Libya becomes independent is, in our opinion, a matter for the Libyans themselves to decide through their constituted authorities.

Mr. Hickerson stated that we are troubled over the Italian proposals to perpetuate the technical, economic and financial committees since this would be a derogation of Libyan sovereignty. We continue to maintain that the sovereignty of Libya must be respected after it becomes independent. To perpetuate any form of UN or international supervision after January 1, 1952, would, therefore be a derogation of sovereignty which no state could accept. To propose such supervision would probably cause repercussions against Italian as well as British and American interests in Libya. Therefore, we cannot agree with proposals to establish permanent international supervision of Libyan affairs. We believe that:

(1) An attempt to obtain recognition of the political interests of the five powers in Libya would boomerang. We have consistently told the Italian representatives that while we could support their legitimate economic interests in Libya we feel it would be a mistake for them to try to revive any special political position in that country. On the other hand, we understand that satisfactory arrangements have been made by Italian representatives in Libya regarding the status and protection of minorities. Furthermore, the disposition of Italian property in Libya was provided for by the UNGA last December in a resolution which is being carried out by a three-man UN Arbitral Tribunal now in Tripoli.

(2) Arab collaboration in the technical field can best be sought through direct negotiations with the governments concerned.

(3) In addition, we seriously doubt whether any concessions in the economic or technical field would satisfy the Egyptians whose opposition is based primarily on political grounds and on the desire of Azzam Pasha to control Libya. Any indication of a desire to compromise on our part would be taken as weakness by the Egyptians who would then demand much more. We doubt that an effective compromise could be reached with the Egyptians on this matter and, therefore, the US could not be a party to an approach to Egypt or the Arab States for such a compromise on these Libyan problems. Of course, we would not object to the Italian Government making such an approach on its own. However, we do not believe that international supervision in Libya will work.

Minister Janelli said they fully understood our position but according to their best information an Italian approach to Egypt has a good chance of success. Ambassador Zoppi explained that since Italy foresaw a difficult situation in the GA it would like to find some solution which would be mutually satisfactory to the Arab States and the Western Powers. He expressed the view that Italy and the other Western Powers might await future developments. Mr. Hickerson pointed out that we foresaw much opposition in the GA to the proposals for international supervision at the time that Libya's independence is being established. Minister Janelli repeated that Italy was merely trying to avoid another point of friction with the Arab world in connection with its general views on the situation in the Near and Middle East.

Mr. McGhee expressed the view that Egypt was operating more in furtherance of its own selfish interests in this matter than as a spokesman for the other Arab nations. Furthermore, Italy could accomplish its legitimate objectives through the local authorities in Libya. Ambassador Zoppi agreed, saying that they had already negotiated satisfactory arrangements for Italians in Libya. Mr. Hickerson concurred in Mr. McGhee's observation on Egyptian motives, adding that Libya would probably have achieved independence before the GA discussion of the Libyan item, and the Libyan constitution would already have entered into effect. He thought that would place us in a good situation, since this was in line with what the General Assembly had called for all along. Ambassador Zoppi observed in connection with the latter point that this situation was exactly what the Arab nations desired to prevent—a *de facto* situation in advance of GA discussions. He indicated that the Italian Government is not concerned about Italian interests per se, but only about the potential situation in the GA. He said Italy would not act alone on this but that the Western Powers should await

future developments since there was ample time to consult further on this question.

ERITREA

Minister Janelli expressed appreciation of US action and support on the Eritrea problem and, in particular, for facilitating the resumption of diplomatic relations with Ethiopia. He felt that the situation in Eritrea was more encouraging, particularly after Brusasca's visit. Italy is determined that its recently resumed relations with Ethiopia will be fruitful and is ready to consider means for promoting the political stability and defense of this area. However, Italy is concerned that in implementing the UN resolutions on Eritrea, Italy's interests may be imperiled. Italy has noticed evidence of uncertainties and anxieties on this score among the Eritreans. While Italy wishes to see the UN resolution providing for federation of Eritrea with Ethiopia properly carried out, Italy understands that some attempts are being made to modify or even void this resolution. These attempts are not confined to Ethiopia. However, Italy is confident of US cooperation and support in seeking successful implementations of these UN decisions. US interest in such matters would be helpful, in the Italian view, for example with the British.

Mr. Hickerson stated that the US was gratified over the resumption of Italian-Ethiopian relations and that we desired to keep Ethiopia oriented toward the West. In this connection, he mentioned that Ethiopia had sent a battalion of troops to Korea, who were acquitting themselves well in battle. He said that the United States agreed that the federation resolution should be strictly observed and fully implemented. He emphasized that to date we have not received evidence that the resolution is not being observed and implemented. The UN Commissioner, Anze Matienzo, has proceeded slowly in his work, but he still has a year in which to accomplish the tasks entrusted to him by the General Assembly. While there will undoubtedly be difficulties we believe that, with good will and cooperation, they can be resolved. Mr. Hickerson inquired whether there were any further points that the Italian delegation desired to discuss. Minister Janelli replied that he wished to emphasize Italy's deep concern over the necessity for full implementation of UN resolutions. Mr. Hickerson assured him that we were fully conscious of this concern and would continue to support full and strict implementation of the UN resolution. Mr. McGhee added that we were particularly pleased with the results of Brusasca's visits to Addis Ababa and Asmara and we hoped that relations between Italy and Ethiopia would continue to improve.

No. 313

CFM files, lot M-88, box 159, Conversations with the Italian Prime Minister

United States Minutes of Italian Prime Minister De Gasperi's Meeting With President Truman, White House, September 25, 1951, noon [1]

SECRET

PRESENT

The President
Prime Minister De Gasperi

ALSO PRESENT

United States

The Secretary of State
Mr. Harriman
Mr. Perkins
Ambassador Dunn
Mr. Elsey
Mr. Short
Mr. Byington
Mr. Greene

Italy

Ambassador Tarchiani
Ambassador Zoppi
Dr. Canali

The President asked the Secretary of State to open the meeting.

Mr. Acheson said that he and Prime Minister De Gasperi had had a satisfactory and useful talk the day before and would be having further talks later in the day and on the following day. He suggested that the Prime Minister bring up the questions that he would like to discuss.

The Prime Minister expressed his thanks for the opportunity he has had to exchange views with the Secretary of State both at the North Atlantic Council meeting in Ottawa and in Washington. He commented on the identity of views he had found on the maintenance of peace and security. He referred to the necessity of psychological action to demonstrate that the North Atlantic Organization is more than a military alliance. He said that he believes Italy's policies generally are completely in agreement with U.S. policies.

The Prime Minister continued that in this spirit he has spoken with the Secretary of State about the Trieste question. He said that it is not an internal Italian question or an internal Yugoslav ques-

[1] According to the cover sheet, these minutes were circulated as IPM MIN-5/1 on October 2.

tion, but an international question and a common problem. It is also a question of the Atlantic Community; as long as the problem remains unsolved, the solidarity of the Atlantic Pact is not assured. He referred to two milestones in the history of the question since World War II: the establishment of the "Morgan Line" in 1945, and the March 20, 1948 Declaration between the United States, United Kingdom and French Governments in favor of the return of the Free Territory of Trieste to Italy. He appealed to the President to exercise his authoritative influence in this difficult, but not insoluble, question. He said that if Tito is willing to move toward the Western nations, he thought that within the framework of the Three-Power Declaration Italy could renounce the Slav communities in Zone B. If Tito would agree to discuss Zone B from an ethnic point of view he would hope to reach a conclusion.

The Prime Minister emphasized the political importance of this matter. He said that frankly, without a satisfactory solution of it, he and his Government would have difficulty in getting continued support in Parliament for a joint defense effort, and he doubted whether any democratic government could. He continued that it is not a question of party; it is a genuinely national, popular question. If public opinion in Italy thinks that Italy's friends and allies cannot save Trieste for Italy, there would be a dangerous trend toward neutralism in Italy.

The Prime Minister said that the results of the recent elections in Italy were good but not satisfying. They showed a stabilization of the Communist vote, but an increase in the vote for the extreme Right. He said that the coalition government of democratic parties which he heads is in danger of losing votes to the Left and to the Right. Parenthetically he observed that he hopes that the Liberal and Democratic Socialist Parties will rejoin the coalition in the next months.

The Prime Minister said that the next national election in Italy will be coming in eighteen months, and must result in a victory for democracy. In Italy this means "Americanism", based on the friendship and support of America. It is for these reasons, the Prime Minister said, that Italy asks to be helped on the Trieste question, first in regard to Zone A of the Free Territory, in the sense that Italian legislation there be loyally applied, as is the rule for occupied areas; and second in regard to getting agreement with Tito on Zone B, which the March 20 declaration said should be returned to Italy but in which Italy is prepared to make ethnic concessions.

The Prime Minister said that a Trieste settlement must be reached or his whole struggle against Communism, with American assistance, would not be successful.

The President told the Prime Minister that we are sympathetic to his position on the Trieste question. We hope that the problem can be settled, and believe that it can be settled. He reminded the Prime Minister that the United States has only one objective: peace. As we work toward that objective, we want to see our friends prosper, and we have demonstrated, we seek no selfish gain. Referring to the Prime Minister's remark that freedom in Europe means Americanism, the President said that he was glad to hear that because we believe in Americanism.

The President said that he hoped it would be possible to reach a solution of the Trieste question which would be satisfactory to the Prime Minister and remove this troublesome source of controversy. He said that as he recalled his reading of history there was a Trieste problem after World War I and it might be that if the problem were settled now there would be no World War III.

The President said that we want to make European unity so strong that it cannot be broken by our opponents. He said that we have no ulterior motive; we just want to make the world a safe place in which to live. He assured the Prime Minister that the United States wants to help in the Trieste problem and that he had been glad to hear the Prime Minister say that he could work it out.

The President said that here in North America the United States, a strong nation, is not feared by its neighbors. Our borders with Canada and Mexico are open and our citizens can go freely back and forth across them. The President said that he would like to see the same situation exist along the frontiers between Italy and Yugoslavia, Italy and France, France and Switzerland, and among nations of Central Europe. He said it is important in establishing a basis of freedom that people can come and go as they please.

The President said that the Prime Minister could be sure that he would find no obstacles put in his way by us in his efforts to achieve a settlement of the Trieste question.

The Prime Minister expressed his thanks for the President's cordial remarks. He stated his desire to solve the question, which he said is not simply an Italian question but also a European question. Its solution would consolidate the defense of Europe and bring Italy to a position of moral leadership. If it can be resolved, the remaining problem of Communism in Italy will be largely economic.

The Prime Minister said that Trieste has curiously enough become a Communist problem. He said that the Cominform Communists want the Free Territory established, although Communists in Trieste itself are divided between pro-Tito and pro-Cominform factions. The Prime Minister said that he believes the Soviet Union wants to keep Trieste a point of dissension, and repeated that it

must be settled. The Prime Minister said that he realized Tito will have difficulties in negotiating a settlement, and that Italy is ready to make concessions. He said that if Tito really wants to work the problem out, Italy is ready. He added that, if talks begin and do not reach a successful conclusion, the situation would be worse than if talks had never been started. He therefore asked the President to help by taking the initiative in presenting a formula for solution.

The Secretary of State said that, as the President had observed, the purposes of the U.S. are identical with those the Prime Minister had said were his. The Secretary of State said that this is the last unsolved territorial problem in Europe; as long as it is unsolved, it creates difficulties for Italy and for Yugoslavia and for the joint Western defense effort. He said that, as the Prime Minister had noted, if negotiations start and fail, the situation would be worse than if they had never started.

The Secretary of State said that during the morning he had had a talk with the Yugoslav Ambassador, [2] and was convinced that the Yugoslav Government was ready to negotiate. He said that he told the Yugoslav Ambassador that the earlier views of the Yugoslav Government would not help reach a solution. The Secretary said the problem before the Yugoslavs is the same as that before the Italians. The problem is how to begin negotiations without compounding the difficulties; for example, the Yugoslav Ambassador noted how difficult statements regarding the "framework" of the March 20 declaration made matters for the Yugoslav Government, to which the Secretary replied that the Prime Minister had obviously had to make such a statement. The Secretary said that he thought the important thing is to begin the negotiations. He thought that by secret talks, without discussion about means, a solution could be reached.

The Prime Minister asked whether the Secretary thought that Tito could be persuaded to begin the negotiations in Rome.

The Secretary said that he thought it might be possible to speak to the new Yugoslav Ambassador to Rome, Mr. Velebit, who is now here in Washington, to see whether he could undertake negotiations.

Mr. Harriman said that, while he did not know Velebit's views on this particular question, his experience has been that Velebit's ideas are generally broader than those of others in the Yugoslav Government.

The President said that we ought to talk to Mr. Velebit.

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[2] A memorandum of this conversation is in file 601.6811/9-2551.

The Secretary of State said that he thought the Yugoslavs are now more realistic than they have been for some time. He said that we can and will help, but we felt that we could not attempt to mediate in the question.

The President said that he felt the situation today is the same as it had been ever since the days of the Roman Empire. He said that the interest of Italy, Yugoslavia, Greece and France is the same as ours: to keep the peace. He said that this always will be so and that he was certain that if the Prime Minister talked to the Yugoslavs they could get a platform on which to move forward toward a settlement.

The Prime Minister said that it is not a question of prestige. He wanted to re-emphasize the danger of beginning negotiations without adequate preparations.

The Secretary of State said he agreed as to this danger.

The Prime Minister said that he anticipated that the public press would go off into speculation if negotiations got out. He said that he therefore wanted to find a place for the negotiations where complete secrecy could be maintained.

Ambassador Tarchiani said that he thought negotiations might succeed if they were well prepared. He thought the Yugoslavs might be urged to solve the question in the common interest and in their own interest. On this basis a solution could be reached and, as the Prime Minister had said, Italy is always ready to reach a human solution, that is, an ethnic solution.

The Secretary of State said that it might be useful for the President to see Mr. Velebit.

The President said that he would be glad to see him and that he would say to him exactly what he had said to the Prime Minister.

The Prime Minister said that he had been concerned about the situation in Zone A of the Free Territory where there had been some incidents and misunderstandings arising out of actions of the Allied Military Government, such as the changes in the signs over shops of the Italian State Tobacco Monoply. He said these incidents and misunderstandings gave rise to the suspicion in Italy that the provisional Military Government was laying the basis for the establishment of a permanent government in a neutral free territory. He said that he hoped that the British and American authorities would apply existing Italian legislation in Zone A, especially since under the Peace Treaty, only the Governor, if he were appointed, could change the laws.

The Secretary of State said that this matter had been discussed and that he would look into it further. He said he thought AMG might now be too neutral rather than moving in the direction of returning Trieste to Italy.

The Prime Minister referred to the question of the Italian Peace Treaty.

The Secretary of State said that the President has approved what is being done and that the British and French Governments agree.

The President concurred and said that the action that had been planned would be done.

The Prime Minister expressed his satisfaction.

The Prime Minister said that he would like to turn to the matter of Italian emigration. He said that the Italian Government is doing its best and will do even more to combat unemployment, which is one of the principal breeding grounds of Communism.

He said that Italy alone cannot absorb the 200,000 workers that are added to the labor force each year, let alone find jobs for the 2,000,000 who are now unemployed as a result of the war, of the lack of emigration facilities, and of the influx of refugees into Italy. He said that the problem can only be solved by extraordinary measures; for example, nothing is so productive of good results as an extraordinary program like the present DP program in the United States. The Italian Government's object is to provide for emigration of Italians to a number of countries in the next few years, and he hoped that these countries would include the United States.

The Prime Minister expressed the hope that it would be possible to create international organizations, in which the United States would participate and help financially, to meet the problem. He suggested further that it might be possible to use Italian workmen in military construction projects, especially in the Mediterranean area. He also hoped that U.S. help would be available, as it has in some instances through ECA technical assistance, in stimulating migration within Europe.

The Secretary of State agreed that this problem was of the greatest importance and that he looked forward to discussing it in greater detail with the Prime Minister later in the day. He said that as far as Italian immigration into the U.S. is concerned, the President's hands are tied by our immigration laws.

The President said that we will do our best but that the situation is difficult for him. He recalled that in 1945 he sent the chairmen of the Senate and House Judiciary Committees to Europe to study whether the U.S. could admit 400,000 refugees. Following their return the two committee chairmen finally were able to get a program through the Congress for 350,000 refugees in the face of strong opposition. The President said that we will study the Italian situation and want to help if we can. He said that a solution of the over-population problem is included in the Point Four Program. He

said that there are no better people and no better workers than the Italians. The President said that fundamentally we are handicapped by opposition but that we will do what we can.

The Prime Minister asked whether there might be some prospect for arranging temporary immigration into the United States of skilled Italian laborers.

The President said that the situation on this aspect is just as bad as it is on the general aspect. He said that if progress is made in plans for underdeveloped areas of the world and in getting Italians settled there, the Italian problem would be solved.

Ambassador Zoppi said that there was also the question of establishing an international organization to deal with migration, which is of immediate urgency.

The President said that he had had a very impressive letter just a few days before from Queen Juliana of the Netherlands about the over-population problem and that he was entirely sympathetic to the problem.

The Secretary of State said that we are at work on the question of establishing an international organization and hoped soon to be able to make recommendations to the President.

The Prime Minister asked whether he should take up economic matters.

The Secretary of State said that he understood these matters were scheduled for discussion at the meeting later in the day with the Prime Minister and suggested that they be taken up then.

The Prime Minister expressed thanks for the opportunity to have this discussion with the President and said he hoped the United States would continue to contribute to the solution of the over-population problem. He referred to reports of favorable response in Congress to his address to the Congress the preceding day.

The President said that the Vice President had told him that all members of Congress had been pleased at the Prime Minister's speech.

The President said that he did not want to cut the discussion short but that he understood that the Prime Minister was expected at a luncheon to be given by the National Press Club. He said that he had before him a draft of a communiqué that had been prepared about the conversation and that if it was satisfactory to the Prime Minister he would authorize Mr. Short to release it.

The Prime Minister said it was acceptable to him.

The President asked Mr. Short to release the communiqué to the Press. [3]

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[3] The statement released to the press on September 25 is printed in Department of State *Bulletin*, October 8, 1951, p. 563.

No. 314

CFM files, lot M-88, box 159, Conversations with the Italian Prime Minister

United States Minutes of Italian Prime Minister De Gasperi's Third Formal Meeting With the Secretary of State, Department of State, September 25, 1951, 4 p.m. [1]

SECRET

PRESENT

Mr. Acheson (U.S.)
Mr. De Gasperi
(Italy)

ALSO PRESENT

United States	*Italy*
Mr. Harriman	Amb. Tarchiani
Mr. Bissell	Amb. Zoppi
Mr. Perkins	Minister Janelli
Amb. Dunn	Minister Magistrati
Mr. Byington	Minister Malagodi
Mr. Cleveland	Minister Pella
Mr. Linder	Mr. Ortona
Mr. Martin	Mr. Luciolli
Mr. West	Mr. Sensi
Mr. White	Mr. Venturini
Mr. Greene	Mr. Canali
Mr. Christensen	Mr. Panza
Miss Kirkpatrick	Mr. Ferrari-Aggradi

ITALIAN ECONOMIC PROBLEMS

The Prime Minister called upon Signor Pella, Italian Minister of the Budget, for a discussion of the economic questions on the agenda. Minister Pella spoke in Italian, Minister Malagodi interpreting. He said that he would like to speak from a political viewpoint on economic questions. He indicated that there exists today in Italy a serious problem of investment but that his government would not allow this problem to detract from the defense effort. Italy is now making a defense expenditure equivalent to one billion American dollars, a figure which represents 7% of Italy's GNP. This figure, he continued, appears to be quite adequate on the basis

[1] According to the cover sheet, these minutes were circulated as IPM MIN-3 on October 1.

of an average annual per capita income of only $250. The Italian Government, however, intends to carry on its rearmament effort and even though the Italian Government speaks of the need for economic aid this indicates no diminution of their political determination to make the effort. It is not a question of "no aid, no rearmament", but he would like to mention what will happen if there is a cut in US economic aid for Italy. In order to be entitled to the trust and confidence of the Americans as well as that of the Italians, he said it might be wise to set forth some of the results of three and a half years of Marshall Plan aid. He pointed out that the Italian GNP had increased 36% and industrial production 40% above the prewar period. During the period of Marshall aid the Italians have also reestablished monetary stability and although the lira is not one of the strongest currencies in Europe, it has been given a strong enough basis to encourage savings by the Italian people. On the low per capita income of only $250 investments have reached 20%. There are now 800,000 more workers than previously and in the same period the government deficit has changed from one of threatening proportions to one which is much closer to a manageable size. In addition to internal improvements Italy has also taken major steps on international measures.

Minister Pella emphasized that these facts demonstrated that the Italians had done their duty and requested that the US recall this when heavier duties loom. He said that it was particularly important to remember the psychology of the Italian people and their inclination toward pragmatism. In the past as in the future to effectively combat the external and internal threats of communism the military effort must be balanced against civilian needs. He said that he was sure that the Committee of 12 would recognize these facts. He said there were also two important points that should be noted in considering Italian potentialities: first, the large unused industrial capacity and second, the excess of Italian manpower. The Minister pointed to the financial problems related to these two questions and said that his primary desire was to avoid the political consequences that they might create. With reference to the rearmament effort he noted that the Italian Parliament has now approved a supplementary appropriation of 250 billion lira. He conceded, however, that further measures were necessary in order to bring the Italian effort to its highest possible point.

Minister Pella added that it is essential that Italy receive end items, raw materials, machine tools, special equipment, blueprints, etc., through American assistance in 1951 and 1952.

The Minister said that the second major requirement is United States economic aid. This aid is necessary in order to meet the dollar gap and to create an anti-inflation effect through counter-

part funds. He conceded that in view of the Congressional cut in aid, it would be necessary to re-examine Italian requirements. He said, however, that the present estimate of $330 million as the deficit in the Italian balance of payments for 1951–52 is not a bid for more aid but merely a working figure.

The Minister said that the Italian Government has welcomed the United States decision to launch an off-shore procurement program in Europe and said that this would be of considerable assistance to his country. He said that his country is working to increase its industrial capacity to the limit and estimated that they should be able to handle some $500 million worth of orders by June 30, 1953. This would include such items as vehicles, aircraft, electronics, etc. He proposed that a joint American-Italian group be established immediately for the implementation of this program through the proper channels of the two governments. With reference to raw materials, he said measures had been taken in Italy to control the use of those which are in scarce supply. Italy requires for the present fiscal year 400,000 tons of steel and 80,000 tons of copper. He also suggested that DO ratings should be granted for those items needed in the steel and thermo-electric plants and that GAA ships should be made available to carry goods to Italy. He said it was also essential to avoid inflation in Italy through the establishment of reasonable international prices on scarce materials. This was particularly true since he did not believe it possible to go beyond the present stretching of the Italian budget.

Minister Pella then called attention to the manpower and emigration problems which now confront Italy. In addition to the large number of unemployed, there are many refugees in Italy. The problem of over-population has been aggravated by the war. Once solved it would not arise again; however, unless Italians are allowed to emigrate, the problem is not capable of solution. Italy has both unemployment and communism and while full employment will not completely eliminate communism, it will go a long way toward solving the problem. He noted that the United States had done a great deal in this field through its program for displaced persons and expressed the hope that it would also be possible to help Italy solve its problems.

In conclusion, the Minister handed the Secretary a detailed memorandum covering the subjects he had discussed, [2] and seven catalogues in single copy showing the types of equipment Italian factories are able to produce. *

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[2] Not printed.

* Catalogues have been sent to the International Security Affairs Committee Secretariat for appropriate distribution. [Footnote in the source text.]

The Secretary said that it was necessary for Mr. Harriman to leave for another meeting, but he assured the Prime Minister and Minister Pella that Mr. Harriman would be working with them on these problems as a member of the Committee of 12. He thanked Mr. Pella for his clear analysis of Italy's economic situation and said that it would be of great assistance to the United States in future planning. He indicated that he would ask Mr. Bissell to comment in more detail on some of the points raised, although it would not be possible for Mr. Bissell to give a definite estimate at this time on the amount of aid that would be available for Italy because of the situation in Congress. He said that the United States Government is aware of the problems that Italy faces, not only the immediate ones but those of the future. The immediate efforts of the United States to help Italy will be directed by Mr. Harriman and Mr. Bissell. Through offshore procurement, and end-item and economic aid, we will try to help bring about the maximum effort possible in western Europe.

Mr. Bissell said that he was familiar with some of the problems raised in connection with the questions of economic aid and offshore procurement through the preliminary discussions he had had with Minister Pella and other representatives of the Italian Government. He said that he was aware that Italy has both external and internal financial problems. In a few weeks, after Congressional action on the foreign aid program has been taken, the United States will seek to discuss with the Italian Government what action can be taken on the external financial problems. He surmised that it should prove possible to cope with the external (dollar) problem if not in magnitude, at least in degree. He said that the United States program of off-shore procurement will complement the other forms of aid and he expressed the hope that when negotiations on the aid program begin it will be possible to give the Italian Government definite information on the way in which off-shore procurement will be handled. Mr. Bissell said that work had also been going forward on helping Italy get scarce materials and their requests have been presented to the Defense Production Board. He said that he had good news for them since it was now his understanding that nearly all of their requests for power equipment and steel equipment would be given priority ratings within a few days. It is also hoped that the United States will be able to meet approximately the delivery schedules originally contemplated on these requests.

On the shipping problem Mr. Bissell said that the lack of port capacity in the United States and not the lack of shipping was the limiting factor. The United States is, however, continuing to withdraw ships from the reserve fleet and he assured the Ministers

that by mid-winter the lack of shipping would definitely not be the limiting factor. Mr. Bissell concluded by saying that he was not completely familiar with the availability of steel but expressed strong doubt that it would be possible to ship anything close to the 400,000 ton figure mentioned by the Ministers. Mr. Linder expressed appreciation of Italy's cooperation in the International Materials Conference. With reference to their requests for copper he noted that Italy had received 24,000 tons in the last quarter and at this rate he did not feel that the problem of copper for Italy would be a serious one.

Mr. Bissell said that he would welcome further discussions on the technical level with the Italian delegation. Minister Pella said that his group would also like to have further discussions. He noted that he and the rest of the delegation would be in Washington through the following day and that it would be possible for some of them to remain even longer if so desired. It was agreed that Minister Pella, Mr. Bissell and members of their staffs would meet the following day, and the question of additional meetings would be discussed at that time.

The Secretary said that the US Government recognizes the great problem that emigration poses for Italy and assured the Prime Minister that we were anxious to help as much as we could. He recalled that he and the Prime Minister had talked about this question with the President and the latter had discussed the Congressional problems involved with regard to immigration laws. The United States has supported the activities of the IRO as well as those of other international groups. Now that the operations of the IRO are coming to an end the United States will seek to provide assistance through other means. He pointed to migration in Europe as a pressing problem and expressed the hope that progress could be made through the Committee of 12 by the exchange of technicians and other steps.

Mr. West said the United States was seeking to join with other nations in forming an international organization that would be helpful on this matter. It will be necessary, however, to obtain the support of all countries concerned and particularly to achieve cooperation between those countries who have emigrants and those countries who can receive them. There is substantial opinion in the United States which supports such programs, as demonstrated by the support of the Displaced Persons Commission. He warned, however, that it was very difficult to obtain changes in the immigration laws of the United States. We view with great interest, however, the opening of opportunities for migration in western Europe. With increasing production and a resultant greater demand for

manpower there should be a favorable effect on the manpower situation in Italy.

Minister Pella said that he would like to raise the question of "ILO versus IRO" and wanted to know in particular what the US attitude was toward the forthcoming conference in Naples. Mr. West said that this matter was under discussion. The United States will at the Naples conference [3] express its support for opportunities to stimulate greater emigration. However, at this time we are not in a position to support the various suggested proposals.

The Prime Minister said that these economic problems were only apparently technical; they are basically political. He referred to the President's statement to him earlier in the day on the importance of emigration and stressed that if the United States does not support the creation of an international mechanism for handling emigrants a solution will not be found. He said that it might well be said the manpower situation is more important to Italy than is the problem of the balance of payments, for if high unemployment continues it will be increasingly difficult to combat communism. While Canada, for example, wants immigrants, the United States does not. He said that Italy cannot impose its desires on the United States but unless the U.S. can take more immigrants, the effort will be jeopardized. He proposed that these steps be taken: first, to create an international mechanism for the financing and transfer of emigrants overseas; second, to establish a joint American-Italian group in order to promote efficient employment of technical personnel and Italian manpower for the construction of military installations, particularly in the Mediterranean area; third, to support the plans adopted by NATO and OEEC for Italian emigration in Europe in order to support the defense programs and to develop European economic strength. The Prime Minister said that an important question was that of actually financing the emigrants. In South America corporations for agrarian emigration have been established. However, it now costs approximately $1,000 for each person who emigrates. The Australians have solved this problem by permitting loans through the National Bank for the assistance of emigrants and 50,000 people have been settled in Australia in this way. He suggested that an international mechanism might utilize this type of arrangement but stressed the need for US aid. He said that what was needed was not splendid resolutions by international groups but real action. In conclusion he requested that the Secretary follow this matter closely in view of its extreme political importance.

[3] Regarding the Naples Conference, see Document 82.

The Secretary assured the Prime Minister that the United States Government would study this problem and will support international machinery but he stressed that the United States wanted to make sure that the machinery established was the correct kind. The Secretary then said he had another matter he would ask the Prime Minister to consider namely, the waiver of U.S. obligations to Czechoslovakia under the GATT. He noted that both Italy and France have found difficulty in voting for a waiver and that he had spoken to Mr. Schuman about it. To obtain the waiver it will be necessary to receive sixteen affirmative votes and unless both Italy and France vote for it the waiver will not be granted. If the waiver is voted, there will be no violation of GATT, but if not we will have to suspend trade. In that event a vote will have to come up again under GATT procedure and in that case it will be under far less favorable circumstances than those on the initial vote.

The Secretary said he realized that problems have been created for Italy by the imposition of U.S. restrictions on imports of Italian cheese and other products, but he said that the situation should improve since Congressional action is now being taken.

Ambassador Zoppi said that the Italian Government had under study the question of the waiver requested by the United States and said that this problem had been under consideration before the Italian delegation had left for Ottawa. The Secretary pointed out that the vote on the waiver is imminent and may be taken before the end of this week.

Minister Pella said he would like to make a final statement on the economic problems. As a technician he had set forth a number of the problems and trusted that action would be taken on them. However, one paramount question remains. Italy's reconstruction program was made possible because the people had trust in the present and in the future and as a result have invested their savings. It is extremely necessary that this confidence be raised and strengthened. The people must be convinced that Italy is not alone and that the U.S. stands with Italy in confronting Italy's problems. If this psychological and political confidence can be maintained the technical problems will not present an obstacle. If the United States can help supply the foundation, Italy will build the "house".

The Secretary replied that the US Government shared the view expressed by the Minister and he assured the Italian Delegation that we would do everything possible to help them in their efforts.

. . . . . .

The Prime Minister then referred briefly again to the question of emigration and asked whether it was possible for the United States to make arrangements for temporary emigration of Italians into the United States. The Secretary said that this was not possible

under present law and Ambassador Tarchiani agreed that it would be most difficult to secure special legislation permitting such temporary emigration.

The Prime Minister suggested that Italy and the United States continue to study the problem of common action against communism, and he said his government may come forward with specific proposals. He concluded that the West must take the initiative in such things, as had the Communists in organizing the Berlin Festival. The Secretary said that what was really needed was a better idea than the Berlin Festival which would effectively combat Communism.

The Prime Minister said that he had received information that it is being said in Trieste that elections there will be held the first week in December and he warned of the consequences that this rumor might create. The Secretary assured him that the elections had been postponed but that the situation would be investigated.

Following a brief discussion of what information should be released to the press, the meeting was adjourned.

No. 315

CFM files, lot M-88, box 159, Conversations with the Italian Prime Minister

United States Minutes of Italian Prime Minister De Gasperi's Fourth Formal Meeting with the Secretary of State, Department of State, September 26, 1951, 9:30 a.m. [1]

SECRET

PRESENT

Mr. Acheson (U.S.)
Mr. De Gasperi
(Italy)

ALSO PRESENT

United States	*Italy*
Mr. Harriman	Amb. Tarchiani
Mr. Perkins	Amb. Zoppi
Amb. Dunn	Minister Janelli
Mr. Byington	Mr. Luciolli
Mr. Barnes	Mr. Panza
Mr. West	Mr. Sensi

[1] According to the cover sheet, these minutes were circulated as IPM MIN on October 1.

Mr. White
Mr. Greene
Mr. Christensen
Miss Kirkpatrick

Mr. Venturini

Secretary Acheson and Prime Minister De Gasperi met 9:30 to review the draft communiqué which had been prepared on the results of their discussions over the previous two days.

Mr. De Gasperi opened the discussion by stating that the phrase with respect to Trieste indicating that a settlement "should take into account" legitimate Italian aspirations was impossible from his standpoint. He said that this was a very weak statement and that from the standpoint of his own internal political situation it was impossible for him to accept terminology of this nature as representing the position he had taken in Washington. He asked whether the "should" could not become a "must" or the statement changed in some other way.

Mr. Acheson said he was aware of this problem but he could not agree on his part to the change Mr. De Gasperi had proposed. He pointed out that Mr. De Gasperi had urged that the US Government take a more active part in seeking a solution of the Trieste problem. We were quite prepared to do what we could, but it would not be possible to do anything if the matter appeared to have been prejudged at the very beginning through such firm language as that proposed by Mr. De Gasperi. Mr. Acheson said the communiqué obviously had to say something on the Trieste question but that it seemed to him little good would result from anything which we might say.

Mr. De Gasperi said it was largely a tactical problem for him of trying to get language which would be understood by the Italian people. He could not accept anything which indicated that the March 1948 Declaration might not still be Allied policy. After some further discussion Mr. De Gasperi accepted the revised language which appears in the final communiqué. In agreeing to this language he said that he assumed the phrase "Western European unity" in this language referred to unity in general and did not have reference specifically to inclusion of Yugoslavia.

Mr. Acheson then raised the section of the communiqué dealing with the problem of migration, pointing out that we could not accept the language which specifically endorsed the forthcoming meeting at Naples. He said that this meeting under the auspices of the ILO, included Communist governments. From a domestic standpoint we could not publicly indicate our intention of working with such a group for a solution of this problem. He said that we would continue to support Italy in seeking a solution but perhaps not

through the ILO conference. However, we were now working with the ILO in an effort to guide this session into a more useful channel, and if we were successful in this we might be able to use our full support at the Naples meeting.

As a final point Mr. De Gasperi proposed a new concluding sentence for the communiqué which he felt would have a stronger effect on public opinion. This was accepted with only a minor language change and it was agreed that the communiqué would be released as soon as possible with publication scheduled for 12:00 noon the same day. [2]

At 10:20 a.m. the Ministers adjourned their meeting to move to the diplomatic reception room and sign the investment agreement supplementing the 1948 treaty of friendship, commerce and navigation. [3]

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[2] The text of the joint communiqué, released at noon on Wednesday, September 26, is printed *infra*. A summary of the results of these meetings was sent to Rome, Belgrade, Paris, London, and USPolAd in Trieste on October 1. (765.13/10–151)

[3] The text of the agreement supplementing the Treaty of Friendship, Commerce and Navigation of February 2, 1948, is printed in Department of State *Bulletin*, October 8, 1951, pp. 568–570.

No. 316

Conference files, lot 59D95, CF95

Joint Communiqué [1]

[WASHINGTON,] September 26, 1951.

The President of the United States and the Secretary of State and The Prime Minister of Italy have met during the past three days and had a full exchange of views on questions of mutual interest to both countries. For the discussion of economic matters, the Acting Administrator of the Economic Cooperation Administration, Mr. Bissell, and the Minister of the Italian Budget, Mr. Pella, joined the group. At the conclusion of the conversations, the Secretary of State and the Prime Minister issued the following statement:

Conversations were held in the spirit of friendship and cooperation which governs the relations between the United States and Italy. They revealed continuing agreement between the governments of the two countries on common objectives and means of achieving them.

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[1] Issued by the Department of State as press release 869 at noon on September 26.

The Secretary of State and the Prime Minister reviewed the general international situation, and agreed that both nations, jointly with the other free nations, must devote their entire energies to achieving peace with security. They agreed further on the need for positive action to bring together the peoples and governments of the Atlantic Community. The Secretary of State and the Prime Minister reviewed the steps already taken to bring about a closer association of the Western European nations, including the German Federal Republic and a European Defense Force, and the Prime Minister expressed to the Secretary of State Italy's determination to lend cooperation fully in these efforts.

The North Atlantic Treaty Organization as a means of regional defense under the United Nations Charter and its particular importance in closer political and economic cooperation between both Western European and Mediterranean nations were fully recognized. They also recognized that the Mediterranean area is essential to the common defense, and welcomed the steps that had been taken at the recent meeting of the North Atlantic Council at Ottawa.

The Secretary of State reiterated the determination of the United States to press for Italy's admission into the United Nations in order that Italy may cooperate to the fullest extent in the maintenance of peace and the removal of causes of international tension.

The Secretary of State assured the Prime Minister that his request on behalf of the Italian people for removal of the restrictions and discriminations in the Italian Peace Treaty has been given most favorable consideration by the United States Government. The declaration by the United Kingdom, France and the United States on this subject has been published. The Secretary of State expressed hope that all the governments signatory to the Treaty would give their full concurrence to this declaration.

Regarding Trieste, both the Prime Minister and the Secretary of State agreed that a solution to this question would greatly strengthen unity of Western Europe. As stated in the conversation between the Prime Minister and the President, the policies of both governments on this question are well known. The solution should take into account the legitimate aspirations of the Italian people.

The Prime Minister described the urgency of measures to assist in the full utilization of Italian manpower resources. The Secretary of State expressed complete understanding of the importance of this question and the readiness of the United States Government to cooperate in its solution. He informed the Prime Minister that the United States will cooperate with other governments having an interest in evolving practical plans for an international organization

to consider and put into effect concrete plans for the solution of the related problem of Italian and European over-population.

The economic problems common to the two countries were reviewed in detail by the representatives of the two governments. On the American side, great satisfaction was expressed at the progress made in strengthening Italy's economic and financial situation. The Prime Minister was assured that it is the intention of the United States Government to contribute as in the past, within the limits of the funds appropriated to this end by Congress, the military and economic aid necessary to support the Italian effort to develop greater economic strength, social stability, and capacity for defense of its freedom and independence.

Particular attention was given to the idle capacity existing in some sectors of Italian industry and to the possibility of the United States Government placing orders for additional defense production which will contribute to a speedier and fuller Italian participation in the production effort of the NATO countries and which will increase the level of employment in Italy.

Assurance was given of United States help in getting priorities for the equipment necessary to increase the production of electric power and steel in Italy.

The Secretary of State and Minister Pella signed an agreement supplementing the Treaty of Friendship, Commerce and Navigation of 1948, which will provide for an increased flow of investments between the two countries.

This friendly and exhaustive exchange of views, both on political and economic matters, confirmed the determination of the two countries to further, in concert with other democratic Nations, their close cooperation in order to solve effectively the problems of welfare, security and peace.

No. 317

Conference files, lot 59D95, CF95

Declaration by the United States, France, and the United Kingdom on the Italian Peace Treaty [1]

[WASHINGTON,] September 26, 1951.

The Governments of the United States, France, and the United Kingdom have considered for some time how best to resolve, in the interests of the harmonious development of cooperation between

[1] Issued by the Department of State as press release 866 at noon on September 26.

the free nations, the problem presented by the Peace Treaty with Italy.

In accordance with the desire of the Italian people, Italy, which loyally cooperated with the Allies during the latter part of the war as a cobelligerent, has reestablished democratic institutions. In the spirit of the United Nations' Charter Italy has invariably extended to other peaceful and democratic Governments that cooperation indispensable to the solidarity of the free world.

Nevertheless, although Italy has on three occasions received the support of the majority of member states voting in the General Assembly, it is still prevented by an unjustifiable veto from obtaining membership in the United Nations in spite of the provisions of the Treaty and the Charter.

Moreover, Italy is still subject under the Peace Treaty to certain restrictions and disabilities. These restrictions no longer accord with the situation prevailing today nor with Italy's status as an active and equal member of the democratic and freedom-loving family of nations.

Each of the three Governments therefore declares hereby its readiness to give favorable consideration to a request from the Italian Government to remove so far as concerns its individual relations with Italy, and without prejudice to the rights of third parties, those permanent restrictions and discriminations now in existence which are wholly overtaken by events or have no justification in present circumstances or affect Italy's capacity for self-defense.

Each of the three Governments hereby reaffirms its determination to make every effort to secure Italy's membership in the United Nations.

The three Governments trust that this declaration will meet with the wide approval of the other signatories of the Peace Treaty and that they will likewise be prepared to take similar action.

No. 318

865.401/9-2851

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Secretary of State [1]

CONFIDENTIAL [WASHINGTON,] September 28, 1951.

Subject: Italian Overpopulation.

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[1] Cosigned by Robert West, Special Consultant to the Secretary of State on Migration Affairs.

Discussion:

The disappointment of the Italians with our failure to give them assurances of a satisfying character with regard to their overpopulation problem was quite apparent. Prime Minister de Gasperi stressed very heavily while here the political importance to his government of some overt action on our part to help relieve Italian population pressure.

The assurances that we could give them to the effect that we are prepared to work with other governments toward the establishment of an international organization to stimulate the opportunities for emigration from Italy was in itself a matter of no small consequence to them; however, due to their high expectations of significant developments to come from the ILO proposals which are expected to be presented to the Naples Conference, our negative attitude toward those proposals dwarfed the significance of the assurances we were able to give. You are aware of the circumstances governing our position at Naples.

We shall continue to work for an international effort which, to begin with, will involve an attempt to preserve the shipping facilities of the IRO when that organization terminates its activities. These facilities will provide transportation and certain auxiliary services for about 100,000 emigrants during the first full year of operations. The inauguration of this international effort will be of some psychological importance to the Italians but one cannot escape the conclusion that providing shipping facilities alone will not result, during the next few years, in any appreciable alleviation of the Italian overpopulation problem. The numbers of Italians that can be moved have very definite limits in view of the circumstances and policies prevailing in the potential countries of immigration, that is the British Dominions, Latin America and the U.S.

We suggest for your consideration that this might be a propitious time for the Administration to formulate plans for legislation which will admit to the U.S. within the next few years a substantial number of Italians—possibly along the lines suggested in the memorandum from Mr. West of June 19 which was given consideration at the Under Secretary's Meeting on July 6.[2] Such a step taken in the near future would have beneficial political repercussions of great magnitude in Italy, would be warranted in terms of

[2] At the Under Secretary's meeting on July 6 a discussion was held concerning a paper by West entitled "Surplus Populations in Western Europe, Proposed United States Action" (UM D-145). A copy of the paper is in the Under Secretary's Meetings, lot 53D250, Documents; the minutes of this meeting are in the same file under Notes.

manpower needs in the U.S. and, quite possibly, would elicit a sufficiently favorable reaction in the U.S. to result in a substantial contribution toward the solution of one of Mr. de Gasperi's most pressing problems.

Recommendation:

It has come to our attention that this matter is now under active consideration in the White House. It appears that it would be useful in the course of that consideration for the White House to have available a statement in general terms of the interest of the Department in this matter. It is, therefore, recommended that you sign the attached memorandum for the President. [3]

[3] Not printed; it briefly informed the President that the Department of State was interested in this problem and favored some provision for increasing the number of Italians permitted to enter our country under the present immigration laws.

No. 319

665.001/10-1051: Telegram

The Secretary of State to the Embassy in Italy [1]

SECRET WASHINGTON, October 10, 1951—5:40 p.m.

1645. Reports of favorable reaction Depcirtel 278, Sep 24, [2] indicate probability by early Dec we shall have achieved agreement among friendly signatories re action reply Ital forthcoming request *de facto* revision certain provisions Ital Peace Treaty.

Altho proposed procedure calls for individual notes by each signatory to Italy, nevertheless it is desirable demonstrate unity among signatories to strengthen common action. Therefore occurred to us we might arrange special mtg early Dec at most convenient and appropriate place (possibly Paris or Rome) reps friendly signatories. Action re Treaty cld then be formalized by common declaration supported by sending of notes and as much publicity as possible. Jap Treaty Conference example unity we wld like obtain in face Sov opposition.

Dept wld appreciate your personal views re probable reaction FonOff desirability arranging such mtg. [3]

ACHESON

[1] Drafted by Byington and cleared with Perkins, UNA, L, and EUR; repeated to London and Paris.

[2] Document 308.

[3] In telegram 2148 from Paris, October 12, Ambassador Bruce reported that the French would be reluctant to agree to a meeting of this type since they preferred a

Continued

No. 320

Italian Desk files, lot 54D328, 340–ECA

Memorandum by Stanley B. Wolff of the Office of Western European Affairs to the Deputy Director of That Office (Williamson)

SECRET [WASHINGTON,] October 10, 1951.

Subject: U.S. Aid to Italy for Fiscal Year 1952.

Here are my initial reactions to the ECA presentation:

1. $275 million (model II figure) represents the minimum amount of U.S. aid required to secure a "maximum" Italian defense effort.
2. $1005 million, the ECA target figure for a "maximum" Italian defense effort in FY 1952, is higher than can realistically be anticipated.
3. A more feasible target figure would be $925 million.
4. This figure could be achieved without the necessity of a politically unpopular supplementary defense appropriation.

Discussion:

The Italians have consistently refused to commit themselves to increase their military expenditures in FY 1952. All available information indicates that an aid figure of $275 million (plus $58 million in offshore procurement) is not going to persuade them to make such an increase, since this is the amount of US aid that they anticipated getting in support of their present program, and which they considered inadequate to support even that effort. (*Note*—$275 million aid figure was made known to them at the time of the bilateral discussions in the spring of this year.)

The Italian Government's attitude is based upon its knowledge of Italy's internal political and economic situation, and on its estimate of the dollar balance of payments deficit.

Increased military appropriations would enable the Communists and their Socialist Allies to propagandize that the Government was putting the wishes of American war mongers above the needs of Italy's poor and unemployed. The additional aid the Italians would secure (i.e. $112 million in economic aid plus $40 in additional offshore procurement) for increasing their program by $205 million, would seem to make it well worth their while to agree. However, this is based on the assumption that the Italians would have maintained their present program at a level of $800 million per year de-

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more informal procedure and favored unilateral "renunciation" rather than bilateral agreements. (665.001/10–1251) In telegram 1796 from London, October 12, Ambassador Gifford reported that the British Foreign Office would probably object to the suggestion of a special international meeting, although it would welcome some demonstration of common action. (665.001/10–1251)

spite US aid of only $163 million plus $18 million in offshore procurement. There is no evidence to support such an assumption.

The Italians estimate their FY 1952 balance of payments deficit at $332 million. ECA/Rome considers this a fairly realistic estimate (see Toeca 994, Sept. 10 and Toeca 1045, Sept. 28 [1]). If they were to receive only $181 million from the US (16318) they would anticipate a dollar deficit of over $150 million in FY 1952, almost one-third of their total gold and dollar reserves. Given the present Italian Government's concern for financial stability and its fear of the inflationary forces that would be set loose if public confidence in the lira were to be impaired, it is unrealistic to anticipate that defense expenditures would be maintained at present levels, if the total US aid were substantially less than $275 million.

As to the chances of securing a supplementary appropriation in FY 1952, ECA/Rome states (see Toeca 1069, Oct. 2 [2]) it is practically certain that the Government will not request any additional defense appropriations for this fiscal year.

In my opinion, the most that can be anticipated from the Italians in FY 1952 would be an increase from the present $800 million level of defense expenditure to a total of $925 million. The $925 million would consist of $525 million regular military budget plus $400 million (i.e. 250 billion lire) extraordinary defense expenditures.

This could be accomplished without a supplementary appropriation by the use of the Italian Government's present authority to let contracts against a proposed budget prior to legislative approval of the budget. (See Toeca 1069.) Thus, contracts to the value of $125 million could be let in the last half of the current fiscal year against FY 1953 appropriations. To maintain the $925 million rate in FY 1953, the Italians would have to again resort to this device in the last half of FY 1953 or vote a higher total appropriation for FY 1953. The last alternative would be preferable and we should use our leverage to persuade the Italian Government to increase its FY 1953 budget request, to be submitted in January 1952, rather than spending our efforts in attempting to secure a supplemental appropriation for FY 1952, which is already close to one-third spent.

The reason I consider that $925 million is a rate of expenditure considered possible of realization derives from the negotiating history. When the Italian Government announced its extraordinary defense program of 250 billion lire ($400 million) in December 1950, certain statements were made by Italian spokesmen to the effect

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[1] Neither printed.

[2] Telegram Toeca 1069 was a six-page appraisal of the current situation in Italy regarding defense appropriations. (765.5-MAP/10-251)

that this was a one-year program. Later these statements were interpreted by the Italians to mean that the funds were to be "spent or committed" in one year. However, by insisting that we considered the 250 billion lire a one year rather than an 18 month program, we could require that, to secure the $275 aid, the Italians carry out this program at "the same rate" through FY 1952, resulting in an extraordinary defense expenditure of 250 billion lire ($400 million) plus a regular military budget of $525 million, or a total of $925 million for FY 1952.

No. 321

Editorial Note

The Declaration of the Governments of the United States, the United Kingdom, and France concerning the revision of the Treaty of Peace with Italy was jointly delivered to the Soviet Foreign Ministry on September 26 by the United States, British, and French Chiefs of Mission. On October 11, Soviet Foreign Minister Vyshinsky handed to the Chargés of these three Embassies in Moscow a note replying to the Declaration in which the Soviet Government claimed that treaty revision was basically an attempt to adapt Italy and her resources to the aggressive aims of NATO. The Soviet note was published in the Soviet press on October 12. In a statement issued to the press on October 12, the Department of State made public a translation of the Soviet note and commented briefly thereon. The Department's statement and the translated text of the Soviet note are printed in Department of State *Bulletin*, October 22, 1951, pages 648–649.

No. 322

665.001/10–1251. Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State [1]

CONFIDENTIAL PRIORITY LONDON, October 12, 1951—3 p.m.

1791. FonOff has given us its first reactions to Sov note [2] re Ital peace treaty, in form of guidance for its press Dept. Other reactions were that no reply shld be made to Sovs and care shld be taken to

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[1] Repeated to Moscow, Paris, and Rome.

[2] Regarding the Soviet note, see the editorial note, *supra*.

avoid passing buck to Itals. Press Dept guidance cleared with Ital Emb here fols:

Begin verbatim text: As was expected, this is a propaganda piece cleverly designed for exploitation by the Ital Commie Party. It does not treat the subj on its merits, but uses it as part of the campaign to prove the aggressive nature of NATO—last refuted at Ottawa. It bears no relation to reality. The present position is that while many of the other signatories have declared their unconditional readiness not to exercise their rights, the USSR have posed conditions which will clearly be acceptable to the Ital Govt. Thus the treaty position as between Ital and the USSR remains unchanged, while the bulk of the other signatories will, it is hoped on receipt of an Ital request, proceed in accordance with the declaration of the 26th Sept.

(*Note:* This point shld only be made in reply to questions on the legal position. We naturally do not wish to appear to be passing the buck to the Itals.)

The conditions and comments outlined in the Sov note to HMG concern the bilateral relations of Ital and the Sov Govt but the fol considerations are obvious:

(i) Admission of Ital and satellites to UNO.

Applications for membership should, according to the statutes of UNO and the opinion of the Internatl Court be considered purely on their merits and cannot, therefore, be the subj horse trading deals. While the Russians have raised no objections to Itals suitability for membership they have always made her admission conditional on the admission of the satellites. (*Note:* Finland is not a satellite.) The objection of HMG to the admission of Bulgaria, Hungary, and Roumania, is that they have consistently violated not only the armament but also the Human Rights clauses of the treaties.

(ii) Analogous revision of satellite treaties.

Bulg, Hung and Roumania have violated their treaties in an outrageous manner, and it is ludicrous to compare their action with the present case. Revision is consequently immaterial.

(iii) Withdrawal from NATO allowing bases and armed forces.

Ital, as sovereign state, has a perfect right to join this defensive alliance, and there is nothing in the treaty against her doing so. To insist on her withdrawal wld be a gross infringement on her sovereign rights.

GIFFORD

No. 323

665.001/10-1551

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington) [1]

SECRET [WASHINGTON,] October 15, 1951.

Subject: Italian Peace Treaty

Participants: Mr. Mario Luciolli, Italian Embassy
Mr. K. D. Jamieson, British Embassy
Mr. P. Francfort, French Embassy
Mr. Homer M. Byington, Jr.—WE
Mr. Howard J. Hilton, Jr.—WE

The meeting was arranged at Mr. Luciolli's request in order that he might present the Italian Government's draft of its proposed Note to all signatories of the Italian Peace Treaty. A copy of the draft which he gave to those present is attached. [2]

Mr. Luciolli explained the objectives of the Italian Government in this draft as follows: Since the Italian Note, in the eyes of the Italian Government, is to be essentially a political document, it should be as short as possible and should emphasize the political rather than the military aspects of the Italian request. The Italian Government had, therefore, slightly recast the Note to emphasize the political rather than the military aspects, and had shortened it considerably to achieve these objectives. The redraft does not depart, however, from the substance of the longer draft communicated to the Italian Government on September 22. A copy of this draft is attached to Memorandum of Conversation of that date. [3]

After reviewing the draft, I said that this seemed to conform to the draft originally presented, and that on an informal basis, I could say that it was acceptable but would have to obtain final clearance. Both Mr. Francfort and Mr. Jamieson indicated that they would seek instructions from their respective Foreign Offices. As an off-the-cuff reaction, Mr. Jamieson remarked that one change in substance might be involved in the deletion of the re-

[1] Drafted by Hilton.

[2] Not printed.

[3] Neither the memorandum of conversation nor its attachment is printed.

The British wrote the first draft of the proposed Italian Note and gave copies to representatives of the French and United States Governments on September 17. After some initial changes in wording, a copy of the proposed note was given to the Italians on September 22 for their evaluation. Numerous meetings were held in the next few weeks to discuss including a reference in the note to Article 18 which concerned peace treaties with the satellite countries; after much discussion, it was decided to omit this reference. The memoranda of these conferences are in file 665.001.

quest "that each of the Allied and Associated Powers waive Italy's obligations to it under Articles 15–18 and Articles 46–70 with relevant annexes of the Italian Peace Treaty". In commenting on this thought, Mr. Luciolli said that the Italian Government would undoubtedly be pleased to add that request and inquired if it should be added at this time; however, Mr. Jamieson indicated that he would prefer to seek instructions from the Foreign Office on the draft as presented without endeavoring to make any drafting changes in the language.

Mr. Luciolli then said that with reference to the economic clauses, he wished to state informally that the Italian Government hoped that some arrangements could be made to remove the discriminations implicit in certain of those provisions. He mentioned specifically:

(1) the establishment of a time limit during which claims might be presented and,
(2) certain changes in the provisions relating to the Conciliation Commission which would be more in accord with general principles of international law.

To these suggestions I replied that such proposals should not in any way be associated with the present procedure for revision of the Italian Peace Treaty. In reply, Mr. Luciolli said that would be the case but indicated that the Italian Government was presently preparing some proposals covering the economic clauses.

I asked Mr. Luciolli what were the plans of the Italian Government with regard to the timing of the Note. He said that the Italian Government would like to send the Note to all signatories as soon as approval had been given by the three governments. It was agreed that an effort would be made to secure agreement as promptly as possible on the text of the Note which might then be sent to all signatories.

After Mr. Luciolli departed, Mr. Francfort remarked that there seemed to be some misunderstanding on the part of Mr. Luciolli regarding the nature of the "new understanding". I expressed the view that we were all agreed that the "new understanding" would consist of our reply to the Italian Note and the Italian acceptance. I added that I thought this was fully understood by Mr. Luciolli, but would mention it again on the occasion of our next meeting. Mr. Francfort, with reference to Mr. Luciolli's comments on economic provisions, expressed concern that the Italian Government might contemplate the injection of these questions in connection with the "new understanding". I pointed out in this connection that the test of the Italian intention was represented by the draft Note which had been presented. Since it made no reference to eco-

nomic provisions, I felt that the Italian Government did not intend to raise economic questions in connection with this procedure for revision of the Italian Treaty. I added that the Italian Government could be expected to raise the question of economic provisions on every suitable occasion, but in our opinion, the present action on the Italian Peace Treaty did not provide a suitable occasion, Mr. Francfort expressed his agreement with this view.

HOMER M. BYINGTON, JR.

No. 324

Editorial Note

On October 18, Francis T. Williamson, Deputy Director of the Office of Western European Affairs, testified before the House Committee on Foreign Affairs regarding United States relations with Italy. After characterizing the Italian Government as "very stable", Williamson stressed the following three aspects of United States policy toward Italy: 1) to bring Italy as much as possible into the Western economic, military, and political arrangements; 2) external aid and assistance to Italy; and 3) information policy to combat Communist and neutralist propaganda. For the full text of Williamson's statement and the questions and answers that followed, see U.S. House of Representatives, Committee on Foreign Affairs, *Selected Executive Session Hearings of the Committee, 1951–1956*, volume XV, *European Problems*, Washington, 1980, pages 117–123.

No. 325

665.001/10-2551

Memorandum of Conversation, by the Deputy Director of the Office of Western European Affairs (Williamson) [1]

SECRET [WASHINGTON,] October 25, 1951.

Subject: Italian Peace Treaty

Participants: Mr. K.D. Jamieson, British Embassy
Mr. P. Francfort, French Embassy
Mr. F.T. Williamson—WE
Mr. Howard J. Hilton, Jr.—WE

Mr. Francfort expressed his concern over what he inferred to be the Department's position regarding the treatment of the economic provisions of the Italian Peace Treaty. In elaborating his views, he

[1] Drafted by Hilton on October 29.

referred to a cable sent to Paris following the meeting held October 15 [2] with Mr. Luciolli in which reference was made that Mr. Byington had mentioned the possibility that other countries might conclude bilateral agreements with Italy covering various economic provisions. He implied that we might be thinking of taking such action in connection with the new understanding with the Italian Government on the Italian Peace Treaty.

I asked Mr. Hilton to review this question with Mr. Francfort. Mr. Francfort was informed that such was not our position and that our position had been made perfectly clear by Mr. Byington in the meeting on October 15. It was pointed out that in this meeting Mr. Luciolli had said, with reference to the economic clauses, that he wished to state informally that the Italian Government hoped some arrangements could be made to remove the discriminations implicit in some of those provisions. In this connection, he mentioned specifically, the establishment of a time limit during which claims might be presented and changes in the provisions relating to the Conciliation Commission which would be more in accord with general principles of international law. To these suggestions Mr. Byington had replied that such proposals should not in any way be associated with the present procedure for the revision of the Italian Peace Treaty. Mr. Luciolli had then said that this would be the case but had also indicated that the Italian Government was presently preparing some proposals covering the economic clauses.

Mention was then made that following Mr. Luciolli's departure, Mr. Byington had expressed to both Mr. Jamieson and Mr. Francfort the view that we were all agreed that the "new understanding" would consist of our reply to the Italian Note and the Italian acceptance, and that this was fully understood by Mr. Luciolli. Mr. Byington had also pointed out in connection with the "new understanding" that the test of the Italian intention was represented by the draft Italian Note which had been presented. Since it made no reference to economic provisions, we felt that the Italian Government did not intend to raise economic questions in connection with this procedure for revision of the Italian Treaty. Mr. Byington had added, however, that the Italian Government could be expected to raise the question of economic provisions on every suitable occasion, but in our opinion, the present action on the Italian Peace Treaty did not provide a suitable occasion.

Mr. Francfort confirmed these statements as being his understanding of this meeting and said that we were fully agreed that this did not provide a suitable occasion but wondered what might be a suitable occasion. He said that the French Government would

[2] See Document 323.

like to agree that no action would be taken on the economic provisions of the Italian Peace Treaty by France, the United States, the United Kingdom, without mutual consultation.

The reply was made that we could assure him that we were not now contemplating any action on the economic provisions of the Italian Peace Treaty; however, we could not give the assurances which he desired since that would be a commitment covering action which might be taken years in the future. Mr. Francfort said that his Government would like to consult whenever this question is raised by the Italians. He was told that the Department's position on the question of consultation before any action is taken by the United States on any of the economic provisions of the Italian Treaty would be developed. In drawing this distinction between consultation before action is taken as contrasted with consultation when the question is raised, consideration was given to protecting our position if the Italians raise the question of the economic provisions at an inopportune time. Mr. Francfort said that he would appreciate an expression of the Department's position on this question. Mr. Jamieson said that he had no instructions on this point. Mr. Francfort added that the question was being raised in London by the French Embassy.

In closing, Mr. Francfort was reassured that we were not contemplating any action on the economic clauses at this time in connection with current action on the Italian Peace Treaty. He expressed his satisfaction at the prospect of obtaining some reaction regarding the Department's position on this question and indicated that his Government was prepared to give a similar commitment.

F.T. WILLIAMSON

No. 326

765.00/10-2851

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Bonbright) [1]

CONFIDENTIAL [WASHINGTON,] October 28, 1951.

Subject: Italian Trade Union Situation

Participants: Mr. Michael Ross, International Representative, CIO
Deputy Assistant Secretary James C.H. Bonbright, EUR
Mr. Joseph N. Greene, Jr., WE
Mr. Daniel L. Horowitz, EUR/RA

[1] Drafted by Horowitz.

Mr. Ross explained that he wanted to convey to the Department the views of the CIO on the Italian trade union situation before leaving for New York to attend the CIO Executive Committee meeting and National Convention.

Mr. Ross said that both he and others in the CIO concerned with the Italian situation had supported the policy of unification of all non-Communist trade union forces into the CISL on the basis of their belief that such an effort at establishment of non-religious, non-political trade unionism was worth trying and might achieve the basic objective of competing successfully with the Communist controlled CGIL. He said that it has become evident, however, that this policy is not being successful in its principal objective and that, therefore, the CIO is now convinced of the necessity for supporting not only the CISL but also the UIL.

Ross said that among the reasons for the conclusion reached by the CIO were

1. Evidently the traditions of political unionism are sufficiently strong in Italy that the concept of an American type of unionism has not made the impression upon the workers which it originally was believed might take place;
2. The CISL has not been making any appreciable progress in recent times in reducing the strength of the CGIL;
3. Workers by and large identify the CISL with Christian Democracy and clericalism, despite the efforts of the organization to convey a contrary impression;
4. Pastore, Secretary General of CISL, is, in Mr. Ross' opinion, one of the best trade union leaders in Western Europe. On the other hand, both his personality and manner convey to the public a figure in the clerical tradition rather than in the trade union Socialist tradition;
5. The present size of UIL is not as significant as the fact that potentially it could draw heavily upon CGIL strength if given support;
6. The ICFTU is committed to take a decision at its Executive Board meeting late in November on UIL application for membership. This decision will be favorable, since throughout the time that the UIL application has been pending, the only two trade union centers opposing admission have been CISL and the AFL. Not only do the European unions actively support admission, but also the Latin American unions.

Ross said that the Romita-Saragat Socialists would, he was certain, ask their supporters in CISL to shift over to the UIL. In Ross' opinion, most Socialists in CISL would do so. He said that he realized such a shift, combined with UIL admission to ICFTU, would strengthen the hand of those Christian Democratic trade unionists who desire Christian unionism. He said that he recognized that

this might, at worst, mean that CISL would become a Christian organization and that the possibility could not be entirely excluded that CISL might eventually even leave the ICFTU and join the Christian trade union international (CISC). He did not exclude the possibility that support of UIL might strengthen these tendencies. On the other hand, he said that his organization felt that despite these possibilities it is necessary to support UIL equally with CISL, to achieve the basic objective of overcoming CGIL strength.

Ross said that if support is given to UIL an understanding between UIL and CISL should be worked out to eliminate direct attacks upon each other and that both concentrate upon gaining strength away from CGIL. On the other hand, he thought it impractical to impose any requirement that neither organization admit former members of the other.

Mr. Ross said he was convinced that Tom Lane, the Labor Attaché in Rome, is so completely committed to and identified with exclusive support for the CISL that were a shift of policy accepted along the lines the CIO suggests it would be necessary to transfer Lane. Ross added that he had known Lane for a number of years and had always had the best relations with him, so that there was nothing personal in this assessment.

No. 327

665.001/10-2751

The Italian Embassy to the Department of State [1]

CONFIDENTIAL

By the note dated June 6, 1949 [2] addressed to the American, British and French Governments, the Italian Government had already expressed its views regarding the financial burdens of the Treaty of Peace, estimated at that time in the total amount of approximately two billion lire. Bearing in mind the clauses of the Peace Treaty with Japan and on the basis of an objective examination of the main economic clauses of the Italian Treaty of Peace and of the various bilateral agreements that Italy has stipulated with several nations, the following points are stressed:

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[1] On October 29, a representative of the Italian Embassy gave this "informal memorandum" to Williamson and requested U.S. views on the subject. (Memorandum of conversation, October 29, 665.001/10-2951)

[2] Not printed.

I. Reparations.

A. *By an established amount:* Article 74 (sections A and B) imposes on Italy the payment of a total amount of 360 million dollars (about 225 billion lire) for reparations to the following nations: U.S.S.R. (100 million dollars), Greece (105), Yugoslavia (125), Albania (5), Ethiopia (25).

(a) *Soviet Union:* On December 11, 1948 Italy has reached with the U.S.S.R. a bilateral agreement stipulating that the 100 million dollars for reparations shall be paid with Italian property in Hungary, Rumania and Bulgaria and, if there should result a difference to Italy's debit, with industrial supplies. The Mixed Commissions charged with the assessment of the property have not yet reached a basic understanding, as the property itself has been valued by the Italian experts in 177 million dollars and by the Russian experts in 11, 5 [garble]. An attempt was made to reach a compromise settlement through diplomatic negotiations, but neither in this case an agreement has been reached.

(b) *Greece:* The Governments of Italy and Greece, by the Agreement of August 31, 1948, have settled in a friendly way the question of reparations in the widest framework of economic cooperation between the two nations. This agreement represents a revision of the Treaty: the Italian Government intends to keep it in force.

(c) *Yugoslavia:* Also with Yugoslavia a bilateral agreement has been reached within the framework of economic and financial relations between the two countries. Through said agreement (December 23, 1950) the Italian Government has already placed at the disposal of the Yugoslav Government the amount of 30 million dollars and it has been agreed between the two Governments that no further payment should be made unless other mutual pending financial questions be settled, specifically the credits deriving from Italian property in Yugoslavia in general and also in ceded territories. This agreement is mutually satisfactory and the Italian Government intends to hold it in force.

(d) *Albania:* Owing to the considerable reasons of credit of Italy versus Albania, the Italian government has already notified the Albanian Government that it cannot consider the question of reparations unless in the frame of a general agreement.

(e) *Ethiopia:* Following the reestablishment of diplomatic relations, the Italian Government deems that the question of reparations might be settled on a friendly basis, as well as other pending questions, in the framework of relations and economic cooperation between the two countries.

B. *Reparations for an unspecified amount (Art. 74 D and Art. 79).* With the greater part of countries which the Treaty of Peace empowered to liquidate Italian property against claims of unspecified reparations, the question has already been settled through bilateral agreements which in certain cases have brought about the renunciation of such a power and in others the disclaim of such a right

through the payment on the Italian side of global amounts agreed upon.

The problem is closely connected with the one arising out of Art. 79 of the Treaty: in fact this article authorizes the Allied and Associated Powers to avail themselves of Italian property in their respective territories not only as real and true reparations but also to satisfy outright undefined and unsettled claims on the basis of other clauses of the Treaty.

Actually, while certain nations have taken possession of Italian property to cover claims which were to be considered settled through the payment of reparations, others (such as Australia, Belgium, South Africa, India, Israel) are still holding under seizure such property as a guaranty of the settlement on Italy's part of the obligations imposed by other provisions of the Treaty.

Italian property still held under seizure should be promptly released, bearing in mind that the claims against Italy of the nations holding said property as a guaranty might be settled on a friendly basis through open bilateral discussions.

II. Restitutions.

Italy has proceeded, as far as possible, to the restitution of property, according to article 75 of the Treaty of Peace, which war events have brought to the national territory and which is located there.

Moreover, the question has been settled with certain countries through bilateral agreements, and the Italian Government trusts that the restitution of other property which might be recovered be accepted in the condition it might be found.

III. Renunciation of Claims by Italy.

Through article 76 of the Treaty of Peace Italy had to renounce her claims for indemnity by the Allies connected with reasons directly or indirectly arising from the war (damages, requisition of property or services, seized merchant ships, etc.).

The economic results of such a renunciation are hardly calculable, but the Italian Government estimates the burden in the amount of at least 500 billions.

The Italian Government deems that a revision could be made of the provisions of article 76 which conflict with the normal practice of international law, and that the extent of said article, in so far as it concerns the indemnification for requisitions and for war damages, could be limited to the damages suffered in *Italian territory* with the exclusion, for instance, of the requisitions of property and services effected in the former colonies.

IV. Compensation for Losses and Damages to Allied Property (articles 78 and 83).

In view of the treatment accorded Japan and which probably will be extended to Germany, it would be equitable to provide that the amount of indemnity due for losses and war damages suffered by nationals of the United Nations be established by the Italian law; that the obligation for indemnification by the Italian Government be not extended to losses and damages suffered in former Italian colonies; that further the Commissions of Conciliation be abolished and that their jurisdiction on this subject be transferred to the Italian administrative and judicial authorities; that, finally, a date be firmly and definitely established for the presentation of claims under the articles above mentioned.

Prize Courts Judgments (Annex XVII-A)

Also in view of the obligation imposed on Italy by art. 76 to acknowledge, in every case, as valid and effective the decisions of the Prize Courts of Allied and Associated Powers on Italian ships and goods, it seems equitable to abolish Annex XVII-A, which gives instead to the aforesaid Powers the right to request the revision of similar judgments of the Italian Prize Courts.

Bearing in mind the foregoing, the Italian Government deems it equitable to establish the following points:

a) that Italian property be considered the maximum limit for reparation claims—specified or unspecified—on the part of the Allied and Associated Powers which have not renounced them and with which bilateral agreements have not yet been reached. Besides, on such basis, the Italian Government is still ready to reach bilateral agreements with the other Governments concerned, provided they declare themselves willing to take into consideration the reasons which account for Italian credit. Moreover, that those governments which, although having renounced the right to use Italian property as a source of reparations still hold it as guaranty, might return it to the lawful owners, giving credit to the Italian Government for the carrying out of its obligations;

b) that, on the subject of restitutions, no other burden should weigh on the Italian Treasury apart from the one of transportation of property which might be recovered in Italy;

c) that the matter of renunciation be adequately revised, specifically for what concerns the non extension thereof to the territories of the former Italian colonies;

d) that the obstacles standing in the way for a settlement of pending economic and financial questions with Germany be removed;

e) that the question of compensation for property losses and damages in Italy of citizens of the United Nations be revised;

f) that the revision of the judgments of the Prize Courts will not be required from Italy.

WASHINGTON, October 27, 1951.

No. 328

Office of International Security Affairs files, lot 52-26, ECA—Rome Telegram

The Chief of the ECA Mission in Italy (Dayton) to the Acting Administrator for Economic Cooperation (Bissell) [1]

SECRET PRIORITY ROME, November 2, 1951—11 p.m.

Toeca 1230. Toisa. Ref: Rome Ecato 1231 rptd info Paris Torep 8960, London Ecato 1543. [2]

A. Major limitation on any substantial increase Italian defense production effort at this stage is availability of budgeted funds. Italians confirm that balance of payments deficit and shortages of raw materials not yet the true limiting factors. Certainly capacity and manpower take third place behind above factors as potential ceiling on defense effort. Hence most important element now is size of budget authorization (plus organization and administration to place orders rapidly and effectively). These comments apply all sectors Italian defense effort. Particular sectors where budget limitation seems especially severe are ammunition, electronics, and AA fire control.

B. Off-shore procurement target seems feasible from Italian end, i.e. plants capable producing kinds of items needed have available capacity and manpower. Whether cash receipts will reach figure shown depends on (1) rapidity of order placement on US side; (2) possibility of advance payments or progress payments during current FY. Factors on Italian side which may retard program are possible political considerations in choice of plants (tendency of Italians to favor less efficient government-owned facilities) and high costs of production in many other Italian plants. On balance we regard target as feasible but point out this depends on earliest possible start.

C. Mission strongly doubts realistic possibility of obtaining actual expenditure of $1005 million in FY 1952, even with $275 million direct aid plus other earnings shown. This judgment based on fact FY well under way and our feeling that physical job stepping up actual expenditures to rate well above 1005 so as to reach that total for year very difficult one. Actual total expenditure of De-

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[1] Repeated to Paris and London.

[2] Telegram Ecato 1231 requested information from the ECA Mission in Italy regarding the desirability of transferring end-item funds to economic aid if an additional allotment were made available. (ECA message files, FRC 53A278, Rome)

fense Ministry for July-August 1951 was $78.4 million compared with $62.0 million July-August 1950 which represented 11.5 percent of total 1950-51 expenditures. However, expenditures remainder of 1951-52 should accelerate upon passage of bill for 80 percent financing of govt contractors during progress of work. In light of all relevant factors, have reached conclusion that $900 million maximum realistic goal for actual expenditures. Note that Italian defense commitments for FY 1953, however an important element in reaching judgement on aid and expenditure figures for FY 1952.

D. If additional aid from transfer proposal made available on straight *quid pro quo* basis, see no reason why we could not get it channeled into production of items in priority sectors.

E. On basis above considerations team recommends that transfer of entire $112 million necessary raise aid figure from 163 to 275 be regarded as ultimate possibility, but that no more than $35 to 40 million be considered for transfer at this time. This would raise direct aid figure to neighborhood $200 million, which should prove adequate support military expenditure program assuming (a) $900 million military expenditure actually reached and (b) off-shore procurement goals fulfilled. Note that ratio of increase in military expenditure to needed increase in aid is 2.5, which is relatively high figure and shows desirability of pushing such a shift assuming that Italian Govt will agree to increased expenditure. If in course of year actual expenditure can be still further accelerated, and if program in other respects proceeding satisfactorily, could then consider transfer of remaining amount of any portion thereof.

This proposal would (a) accord with present estimate maximum rate defense expenditures and related need for aid, (b) retain incentive to accelerate that rate if possible, (c) avoid cutting end-item program prematurely, (d) leave final evaluation for later in year when progress indigenous production, off-shore procurement and end-item programs more clearly apparent.

Additional comment: Prior to actual shift of funds from end-item program to economic aid, MAAG Rome requests opportunity to comment on actual end-items to be deflected.

DAYTON

No. 329

Editorial Note

On October 6, the Governments of El Salvador, Guatemala, and Honduras requested that the question of admitting new members to the United Nations be put on the agenda of the Sixth Session of

the United Nations General Assembly which was scheduled to meet in Paris beginning November 6. The three governments were particularly interested in the admission of Italy because of its racial and cultural links with Central America and its similarity of political and social viewpoints. At the 342d plenary meeting of the General Assembly on November 13, this request was referred to the First Committee (Political and Security) where the whole question of the principle of universality of membership and the use of the veto to deny it was discussed during January 1952.

At the same time, the Fourth Committee (Trusteeship) was dealing with the question of Italy's need to be a member of the Trusteeship Council since it was responsible for administering the Trust Territory of Somaliland. For documentation concerning the disposition of the former Italian colonies, see volume V, pages 1237 ff. For documentation on the question of Italy's admission to the United Nations, see volume II, pages 286 ff.

No. 330

665.001/11-651

Memorandum of Conversation, by the Deputy Director of the Office of Western European Affairs (Williamson) [1]

SECRET [WASHINGTON,] November 6, 1951.

Subject: Italian Peace Treaty

Participants: Mr. K. D. Jamieson, British Embassy
Mr. P. Francfort, French Embassy
Mr. Francis T. Williamson—WE
Mr. Howard J. Hilton, Jr.—WE

The Italian Embassy, having been informed that the text of the Italian Note as set forth in the memorandum of conversation of November 5, [2] with Mr. Luciolli was acceptable to the United States, France and the United Kingdom. Mr. Jamieson and Mr. Francfort came to discuss the next steps to be taken.

Mr. Jamieson said that the British Government thought that an interim reply should be sent to the Italian request. He provided a suggested text, a copy of which is attached as Annex A. [3] It was agreed that the Italian views would be sought as to whether or not an interim reply along those lines would be desired or whether the

[1] Drafted by Hilton on November 8.

[2] Not printed.

[3] Not printed; it was a brief one-sentence acknowledgment which said that the Note would receive sympathetic attention.

Italian Government would prefer to wait until a substantive reply is forthcoming. Mr. Hilton was asked to inform Mr. Luciolli of the Italian Embassy that the three Governments were prepared to send an interim reply along these lines if desired by the Italian Government.

A draft of the proposed substantive reply was distributed. A copy is attached as Annex B.[4] In the following discussion directed primarily at the order of the thoughts, it was agreed that a redraft would be prepared, a copy of which is attached as Annex C.[4] Mr. Jamieson suggested the addition of a final paragraph which might read as follows:

"This Note and your confirmation will constitute as of the date of this exchange of Notes, a new understanding on the above-mentioned provisions of the Italian Peace Treaty between the Government of the United States of America and the Government of the Republic of Italy."

Mr. Jamieson was told that the addition of this thought might raise a constitutional problem. There is no doubt about the right of the Executive to waive rights under a treaty, but the conclusion of a new agreement modifying a treaty would be a different matter. Although this would not be the case in this Note, the conclusion of such a paragraph might raise doubts in certain quarters.

In the discussion of the procedure the following points were made:

On the question of procedure, it was agreed:

1. The three Governments should agree as promptly as possible on the substantive reply to be made to the Italian Note.
2. The substance of this reply should be communicated to the Italian Government.
3. Instructions should be drafted to representatives of the three Governments accredited to friendly signatories providing for an approach to those signatories with a view to informing them of the proposed reply and requesting that their replies, if not similar in tone and argumentation, at least reach the same conclusion as set forth in the last paragraph of Annex C.
4. An effort should be made to reach general agreement on the timing of the substantive reply so that substantive replies by all friendly signatories would be made at approximately the same time.

FRANCIS T. WILLIAMSON

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[4] Not printed.

No. 331

Conference files, lot 59D95, CF96

United States Delegation Minutes of the Tripartite Foreign Ministers Meeting at the French Foreign Ministry, Paris, November 9, 1951, 11:30 a.m. [1]

[Extract] [2]

SECRET

Present: *France:*
Foreign Minister Schuman, Ambassadors Bonnet, Massigli and Chauvel, M. Maurice Schumann, M. Parodi, M. de la Tournelle, M. Lacoste, M. Broustra, M. Bourbon Busset, and M. Laloy
United Kingdom:
Foreign Secretary Eden, Mr. Lloyd, Mr. Dixon, Mr. Jebb, Mr. Shuckburgh, Mr. Bowker, Mr. Parrott and Ambassador Harvey
United States:
The Secretary, Ambassadors Bruce and Gifford, Assistant Secretary Perkins, Messrs. Raynor, Knight, Battle, and for a portion of the meeting Ambassador Gross, Mr. Byroade and Mr. Wainhouse.

. . . . . .

Italian UN Membership

Foreign Minister Schuman said he thought it was essential that action on Italian membership be initiated in the SC. He said the Italian note [3] had failed to convince him that the Assembly could act in the absence of SC action. He said, however, that he felt in the SC all that would happen would be another debate and another

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[1] During the Sixth Session of the U.N. General Assembly which met in Paris in early November and the Eighth Session of the North Atlantic Council which met in Rome November 25–28, the Foreign Ministers of the United States, the United Kingdom, and France took the opportunity to hold a series of conferences to discuss mutual problems. The only major discussion of Italy concerned the question of U.N. membership and occurred at the second meeting of the three Foreign Ministers, which is documented here. Regarding the Paris and Rome Foreign Ministers meetings, see the editorial note, vol. III, Part 1, p. 1312.

[2] The omitted sections deal with topics unrelated to Italy, such as the pending NAC meeting in Rome, the Far East situation, and Germany.

[3] The Italian note under reference is the draft reply which Italy was then preparing as a response to the tripartite declaration of September 26. The formal Italian response, which was issued on December 8, is printed in Department of State *Bulletin*, December 24, 1951, p. 1011.

veto. He said we should consider what needs to be done if this course of events occurred. He said this would be very serious to Italy and that we also should not "bend to the Soviet veto". He said he thought perhaps the SC could refer the question to the GA with a statement that it has been blocked from action. He thought then the GA could vote favoring Italy. He said the result of this, of course, would be only a moral one, but he thought even so it would help the Italian situation somewhat. He said that in the GA the Trusteeship argument could be used. He said we could argue that it was not in accord with the Constitution or with justice that a country worthy of being given a Trusteeship by the UN should be excluded from membership in the UN. No decision was taken on the matter of GA tactics in the event of another SC veto.

Mr. Acheson said that he wanted to suggest that the Trusteeship Council recommend to the GA that because of the difficulty Italy has in administering a UN Trusteeship without being a Member, something should be done about this situation. Schuman replied that this in effect had been done and was covered by Item 56 of the agenda. Mr. Acheson said that he had not completed his suggestion. He wished to propose that this agenda item be considered in the Fourth Committee and that the Fourth Committee and the Assembly pass a Resolution calling upon the SC to reexamine the Italian application as a special case in view of the Trusteeship question.

M. Schuman [*Schumann*] said he thought this was a good proposal and that Item 56 should be referred to the Fourth Committee rather than the First. He said that if we agreed in principle on this proposal, our experts could work out the details.

Although Mr. Eden did not speak, there appeared to be general agreement, and Mr. Acheson said that Congressman Mansfield, of our Delegation, would be in touch with the other two Delegations to work this out.

No. 332

Department of Defense files

Memorandum by the Chief of Staff of the United States Army (Collins) to the Joint Chiefs of Staff

[Extract] [1]

SECRET [WASHINGTON,] 13 November 1951.

Subject: Visits to Yugoslavia and other MDAP Countries [2]

A. Italy

1. During my recent visit to Europe I spent only one day in Rome. This was at the suggestion of the State Department since I was shortly going to visit Yugoslavia.

2. I had brief conferences with Signor Pacciardi, Minister of Defense (Tab A [3]), General Marras, Chief of Staff of the Armed Forces (Tab B [4]), and General Cappa, Chief of Staff of the Army. They were greatly interested in the visit to Yugoslavia and evidenced some slight concern, without saying so, that any MDAP program to Yugoslavia would be to the detriment of Italy.

3. Both Pacciardi and Marras specifically stated that they hoped the introduction of Greece into NATO, and a possible affiliation of Yugoslavia with the West, would not affect the continuance of an Italian as the senior Army commander under Admiral Carney.

4. The MDAP program is apparently proceeding satisfactorily except for the slowness of delivery of motor transportation and signal communication equipment. The Italians, like all other countries, are anxious to secure more tanks. These matters, however, are all being handled in established channels and no particular action is required as a result of my visit.

During my conversation with Signor Pacciardi, he made one very significant statement. He referred to the fact that both he and Tito

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[1] The omitted sections of this memorandum summarize General Collins visit to Yugoslavia, Thailand, Indochina, the Philippines, and Formosa. Section B, which summarizes his visit to Yugoslavia, is not printed; the remaining sections concerning the Far East are printed in vol. VI, Part 1, p. 544.

[2] During the month of October 1951, Gen. J. Lawton Collins made a tour of several European and Asian countries and this memorandum, with its attachments, represented his trip report.

[3] Tab A, not printed, briefly summarizes General Collins' conversation with Pacciardi on October 13 during which they discussed training areas for U.S. troops from Trieste. Pacciardi promised to provide these training areas in Italy in the near future.

[4] Tab B, not printed, summarizes General Collins' conversation with General Marras on October 13 during which the matter of training areas was again discussed.

had fought in Spain. (I learned in Yugoslavia from General Popovic that despite published reports to the contrary, Tito had never fought in Spain.) He asked me to remind Tito of this and confidentially and "off-the-record" to tell him that the Italians were ready to negotiate a settlement of the Trieste question. Pacciardi did not go into detail but did indicate that the Italians were ready to trade certain areas occupied largely by Yugoslavs for other areas occupied predominantly by Italians. I transmitted this information to Tito when I saw the latter in Belgrade. Tito indicated that he was greatly interested and felt that a settlement could be reached.

5. I discussed with both Pacciardi and Marras the necessity of having some training areas in Italy for the use of American forces in Trieste. They both assured me that suitable areas would be made available shortly, though for political reasons arrangements would have to be under the guise of assisting in training the Italian Army. Later, in a conversation with our Minister Thompson, he stated that we should not press this matter for the present because of possible political implications in Italy. I do not agree with this and feel that the State Department should continue to assist us in an early solution which I believe can be readily had. I left word with General Harmony, our Military Attaché, to follow up on this matter in conjunction with General Sebree, the Commanding General in Trieste.

No. 333

Italian Desk files, lot 54D328, 340—ECA

Report by Stanley B. Wolff of the Office of Western European Affairs

CONFIDENTIAL [WASHINGTON,] November 20, 1951.

ITALIAN AID PROGRAM—FISCAL YEAR 1951/52

BACKGROUND

On May 15, 1951 the Italian Parliament passed an extraordinary defense appropriation of 250 billion lire ($400 million). The Italian Government promised that all of this extraordinary appropriation would be obligated by the end of 1951 and, if sufficient U.S. aid to cover the dollar balance of payments deficit was received, that it would be completely expended during the fiscal year 1952. Latest available information indicates that $64 million was actually spent over the period January–June 1951, leaving $336 million available for expenditure in fiscal year 1952.

ECA's Model I associated an aid figure of $163 million (including $4 million for Trieste) with an Italian defense expenditure of $800 million in FY 1952. This $800 million was supposed to be composed of a regular military budget figure of $525 million plus $275 million from the $400 extraordinary appropriation. The assumption was also made, since determined to be erroneous, that $125 million of the extraordinary appropriation would be spent in the period January–June 1951. It has now been determined that the regular military budget for FY 1952 only amounts to $464 million, not $525 million. By coincidence the funds available for military expenditures in FY 1952 still add up to $800 million, i.e. $464, regular budget, plus $336, unspent balance of extraordinary appropriation.

Assumption

Subject to review in the light of events, it is assumed that Italy will not benefit as a result of possible transfers of funds from the end-item to the economic assistance program.

RECOMMENDATIONS

1. Tell the Italians that they will receive $163 million in economic aid in FY 1952 to support the defense effort described in paragraph 3 below.

2. Give the Italians the firmest possible assurance regarding the amount of dollars they will receive in FY 1952 from purchases of goods and services by the U.S. military (presently estimated at $47.6 million) and from off-shore procurement (presently estimated at $58 million).

3. Italy should be asked to give assurances that:

(a) the $800 million available for FY 1952 defense expenditures will in fact be spent by June 30, 1952; and

(b) the FY 1953 budget, to be presented to parliament in January 1952, will include at least $400 million for defense production over and above the regular military budget. (No commitment on a dollar import program is considered necessary. The Italians should be encouraged in their effort to increase their imports from EPU countries.)

4. Counterpart should be used for civilian rather than military purposes in Italy, to the greatest possible extent.

5. Italy should not be required to take up any part of its aid in the form of loans, because Italy is not able to assume any additional non-productive dollar loans.

6. Aid should be granted directly to Trieste, rather than being included in aid to Italy; and no deduction in Italian aid should result thereby.

DISCUSSION

From all indications the Italian defense production program is lagging badly. This is undoubtedly closely related to Italian uncertainty regarding US aid. Although it is now the middle of November and the fiscal year is four and one-half months gone, Italy has not received any allotment of aid nor has she received any commitment with respect to future allotments. Signor Giuseppe Pella, the Italian Minister of Budget and the man who guides Italy's economic policies, is noted for his caution and for his determination to preserve Italy's financial stability. He will not make sizable expenditures until he is assured that his cherished financial stability will not be jeopardized thereby.

It is important, therefore, to give the Italians a firm aid commitment now. Of course, the Italians, who estimate their dollar balance of payments deficit for FY 1952 at $332 million based on their present defense program, have been anticipating receiving a much higher level of aid, at least $275 million. However, it is believed that $163 million (with no deductions for Trieste aid) plus dollar earnings of about $105 million from US military expenditures and off-shore procurement, should be sufficient to prevent any considerable drain on Italian gold and dollar reserves. (The figure of $58 million for earnings from off-shore procurement contemplates advance purchasing of lire, and it is important that this be done.)

The Italians are disturbed about the effect on their dollar deficit of a number of recent unfavorable developments, principally abnormally high requirements for dollar wheat and dollar coal, the necessity of importing dollar oil as a result of the suspension of Iranian oil shipments and the rise in US freight rates. However, present indications are that Italy will earn about $132 million from the EPU in FY 1952 instead of the earlier estimate of $48 million. The increased EPU earnings should be sufficient to meet the additional dollar expenditures.

Our demands regarding Italian expenditures of counterpart funds for defense purposes should be carefully formulated in the light of the urgent need for these funds to support government investment projects designed to relieve unemployment, improve the standards of living in the depressed areas of the South, etc. On the basis of political, economic and social considerations, Italy is one of the NATO countries least able to afford the sacrifice of essential civilian needs to military goals.

Aid is needed in Trieste for predominately political reasons, i.e. to enable AMG to maintain a certain degree of independence, at a time when delicate negotiations are anticipated, in the face of continued Italian attempts to assert sovereignty over Zone A; there-

fore, the purpose of the aid will be largely negated if the aid is granted through Italy.

Different Assumption

Additional economic aid funds are made available as a result of transfers from the end-items program.

The ECA Mission in Rome is of the opinion that the Italians can be persuaded to spend "something near" $900 million in FY 1952 if "supported by economic aid in the neighborhood of $200 million". Past experience with the Italians in connection with these aid negotiations and available information on present rate of spending would tend to make one more skeptical than sanguine as to the likelihood of the Italians increasing their FY 1952 expenditures.

However, it would be even more desirable to get the Italians to increase the FY 1953 defense production appropriation, at the time the FY 1953 budget is submitted to Parliament in January. From past experience, it would seem that an aid commitment of $200 million for FY 1952 would not be sufficient to achieve this. If the Model II aid figure of $275 million could be allotted to the Italians, and if the Italians could be assured of substantial US aid and substantial dollar earning from US military expenditures and off-shore procurement in FY 1953, they might be persuaded to appropriate as much as $500 million for extraordinary defense expenditures in FY 1953. It is unlikely that they will agree to a higher figure in view of the political situation within Italy. The elections are due in the spring of 1953 and might be held in the fall of 1952. In a country where there is such a need for butter, it is politically difficult and dangerous for the Government to go beyond a certain point in producing guns.

No. 334

665.001/11-3051: Telegram

The Acting Secretary of State to the Embassy in Italy [1]

SECRET NIACT WASHINGTON, November 30, 1951—3:53 p.m.

2522. ReDeptel Rome 2406 Nov 23 rptd Paris and London unnbrd. [2] Dept has tried unsuccessfully expedite presentation Ital Note on Peace Treaty which is now sched for Dec 12. In view primary importance taking action eliminate restrictions in mil provi-

[1] Drafted by Hilton and cleared with Greene, Williamson, and Bonbright; repeated niact to Paris and London.

[2] Telegram 2406 explained efforts by the Department of State to convince the Italians to release their note as soon as possible. (665.001/11-2351)

sions Italy Peace Treaty, SC consideration Ital membership shld take place after presentation Ital Note. Once Note is presented procedure will have been initiated which can presumably be completed as planned.

If, however, Sovs were not to veto Ital membership and were to emphasize Ital obligation under Peace Treaty particularly Art 46, prior to presentation Ital Note, then possibility exists that Ital Note might not be presented. This wld delay, and might prevent, action on milit provisions and thus jeopardize NATO def program.

Dept therefore believes effort shld be made expedite Ital Note so that SC consideration Ital membership will follow presentation Note. Dept desires discuss this with reps Brit and Fr Embs but before doing so request comments US Del and Emb Rome. If this course supported by Brit and Fr believe Itals might be told and requested expedite presentation Note.

Dept recognizes obvious difficulties in securing delay SC action on Ital membership this stage and inconsistency US position in condoning delay after previous leadership in urging immed action.

Dept also recognizes chances of securing Ital membership might be jeopardized if momentum were lost by delay in SC action. Aware of need for early action so that treatment Ital as special case wld be concluded prior to consideration gen question membership Comite I.

Dept therefore requests GA Del comments on procedures which might be adopted assure that SC consideration will fol presentation Ital Note.

WEBB

No. 335

665.001/12-351

Memorandum of Conversation, by the Deputy Director of the Office of Western European Affairs (Williamson) [1]

SECRET [WASHINGTON,] December 3, 1951.

Subject: The Italian Peace Treaty

Participants: Mr. Francfort, French Embassy
Mr. K.D. Jamieson, British Embassy
Mr. Francis T. Williamson—WE
Mr. Howard J. Hilton, Jr.—WE
Mr. Vincent Baker—UNP

[1] Drafted by Hilton on December 6.

I reviewed with Mr. Francfort and Mr. Jamieson the substance of telegrams exchanged between the Department and the U.S. Delegation to the United Nations and the Embassy at Rome regarding the timing of the presentation of the Italian note and of the consideration in the Security Council of Italian membership in the United Nations. I pointed out that we were concerned over the possibility that Italian membership might be considered by the Security Council prior to the presentation of the Italian note. This in our opinion would be most unfortunate.

Both Mr. Francfort and Mr. Jamieson agreed that this would be unfortunate. They expressed the thought that it might be helpful if another approach would be made to the Italian Government in Rome urging that the presentation of the note be expedited. They said that they would suggest to their respective foreign offices that appropriate instructions along this line be sent to their Embassies at Rome. I said that for our part we would again take this matter up with Mr. Luciolli. [2]

I also mentioned that we would request our Delegation to the United Nations to review this matter with their British and French colleagues and that we would seek to obtain a delay in consideration of Italian membership by the Security Council until the Italian notes had been presented. It was agreed that a concerted approach on this matter would not be desirable, that the United States accordingly would take the lead, and that the British and French Delegations would support this action where appropriate.

FRANCIS T. WILLIAMSON

[2] A memorandum of Williamson's conversation with Luciolli on December 4 is in file 665.001/12–451.

No. 336

865.00 TA/12–651: Telegram

The Chief of the ECA Mission in Italy (Dayton) to the Acting Administrator for Economic Cooperation (Bissell) [1]

CONFIDENTIAL ROME, December 6, 1951—1 p.m.

Toeca 1382. This is a joint ECA–Emb msg. Ref: Ecato 1392, Nov 28. [2] We confirm that recent floods constitute disaster of national

[1] Repeated to Paris.

[2] Telegram Ecato 1392 requested information from the ECA Mission in Italy which was necessary for planning for immediate, medium-term, and long-term aid to Italy because of the flood damage. (ECA message files, FRC 53A278, Rome)

significance. They have also shocked Ital public and evoked extremely generous response, especially from working classes. Consequently for both econ and polit reasons we feel ECA/MSA shld exert every effort possible within Charter. Emergency also constitutes exceptional opportunity to demonstrate that US interest in Eur is not now confined only to rearmament, provided we can act quickly. [3]

Re immediate action proposed (para 3 reftel), understand Ital FonOff, after consultation De Gasperi, has instructed Ital Emb express thanks for ECA suggestion and ask for one flood expert to come immediately. What they hope is that some highly qualified individual who handled cleanup work after Kansas-Missouri flood can be supplied and that he can arrive within a few days. We concur on both points. ECA mission has its own reclamation engineers qualified to assist Itals thru estab channels and it wld be preferable use them unless expert with major cleanup experience can arrive on the spot before Ital engineers have started work along their own lines. There is neither time nor need for TA type B team operation. What is needed is one highly qualified man immediately.

Please advise whether Ital Emb reply constitutes sufficient Ital request or whether something further is required.

Re planting of spring crops, mission working on project for use 175 million counterpart lire for purchasing in Ital some high-yield and quick-yield seed, especially 500 tons hybrid corn and 200 tons alfalfa, and distribution through Consorzia Agrario. Mission also exploring possibilities procuring pumps and tractors locally for immediate delivery. With various lire funds approaching exhaustion, chief difficulty will be in financing. Best possibility appears to be diverting some of 3 billion lire earmarked for tourism.

Another possibility is drawing on small uncommitted balances in TA fund (about 1 billion now on hand). Finally, perhaps 150 million lire could be obtained from 5 percent counterpart balances if this permissible. ECA/W and OSR please comment on these possibilities.

Although Agriculture Min reports about 6,000 cows lost out of total of 60,000 for Italy, there will probably not be critical shortage of draft animals. It is hoped sufficient machinery for spring cultivation will be available through collective action.

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[3] In a statement released to the press on November 21, Acting Secretary of State Webb stated that the ECA would provide 8 billion lire of counterpart funds for the reconstruction of the damaged parts of Italy. In addition numerous private relief agencies also sending assistance. Webb's statement is printed in Department of State *Bulletin*, December 3, 1951, p. 894.

In addition to pumps and tractors it is expected dredges and heavy earthmoving equipment will be urgently needed soon. This will probably call for some use of dollar funds and counterpart.

Not now expected that substantial changes will be needed in import program if cleanup and planting are speeded. Present stocks sugar and wheat adequate. No information available yet on damage to natural gas wells or pipelines.

Further reports will follow.

DAYTON

No. 337

665.001/12-1051: Circular telegram

The Acting Secretary of State to Certain Diplomatic Offices [1]

SECRET WASHINGTON, December 10, 1951—12:22 p.m.

519. Fol is Depcir agam Nov 29 [2] 5:25 p.m. which contains instrs mentioned Depcirtel 515 Dec 7. [3]

US, UK and France have agreed on proposed reply to Ital Note re Ital Peace Treaty [4] copy of which is attached to memo conv Nov 23. [5] Statement of substance of reply is set forth below:

Proposed reply to Ital Note by US, UK and France will

1) Refer to Ital Govt's Note re preamble and certain clauses of Ital Peace Treaty.

2) Inform Ital Govt that, in accordance with terms of declaration Sep 26 by Govts of US, France and UK, proposals of Ital Govt are welcomed.

3) Agree that spirit reflected by preamble no longer exists, and has been replaced by spirit of UN Charter; that polit clauses, Arts 15–18, are superfluous; and that since milit clauses are not consistent with Italy's position as an equal member of democratic and freedom-loving family of nations, Italy is released from its obligations to country making reply under Arts 46–70 and Annexes relevant thereto.

As soon as Ital note is recd you will be instructed by tel to concert with ur Brit (except in case of Taipei) and Fr colleagues who

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[1] Drafted by Hilton and cleared with Williamson; sent to posts in 23 countries that were signatories to the Treaty of Peace with Italy.

[2] This circular airgram contained the exact text transmitted in this telegram. (665.001/11-2951)

[3] Circular telegram 515 contained the instructions which were repeated in this telegram. (665.001/12-751)

[4] For the text of the Italian Note sent to all treaty signatories on December 8, see Department of State *Bulletin*, December 24, 1951, p. 1011.

[5] Not printed.

will receive similar instrs from their respective FonOffs, in providing Govt to which you are accredited with statement as to substance of reply which Govts of US, UK and France propose to make to Ital Note. Any procedure for carrying out these instrs which you may work out with ur Brit and Fr colleagues will be acceptable. In addition to providing substance of reply, you shld make supplementary statement along fol lines:

1. Ref shld be made to oral statement made at time Govt to which you are accredited was informed of Tripartite Declaration, particularly those paras which:

a. expressed hope that other countries, specifically country to which you are accredited, wld publicly signify approval of Declaration and be prepared to take similar action; and

b. stated that upon receipt of Ital requests, US, UK and France propose to consult with other signatories prior to sending definite acceptance.

2. In connection with hope that other countries wld take similar action, mention might be made where appropriate that other countries have also given some public indication of their support for Tripartite Declaration. These are Mexico, Brazil, Union of South Africa, Canad, Belg, Republic of China, Grk, Neth, Austral, NZ and others may have issued such statements by time these instrs are recd. Some states which have not made public statements have indicated informally their support.

3. Approaches also being made to fol friendly signatories of Ital Peace Treaty which include Republic of China, Austral, Belg, Braz, Canad, Ethio, Grk, India, Neth, NZ, Yugo, Pak, Mex, Iraq and Union of South Africa.

4. It is hoped that all friendly signatories will make replies to Ital Note which reach same conclusion as reply proposed by Govts of US, UK and France.

5. Govts of US, UK and France expect to reply about two wks after presentation of Ital note and hope that replies from all friendly signatories will be forthcoming at approx same time.

6. In view of US, UK and France these notes by friendly signatories replying to Ital Note will have effect of *de facto* revision of these provisions of Ital Peace Treaty insofar as individual relations between Italy and each country making such reply are concerned. From legal point of view note of acceptance is not necessary. [6]

WEBB

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[6] The text of the formal U.S. reply, which was released to the press on December 21, is printed in Department of State *Bulletin*, December 31, 1951, p. 1050.

No. 338

865.062/12-2151

Memorandum by Daniel L. Horowitz of the Office of European Regional Affairs to the Deputy Assistant Secretary of State for European Affairs (Bonbright) [1]

SECRET [WASHINGTON,] December 21, 1951.

REVIEW OF U.S. POLICY TOWARD ITALIAN TRADE UNIONS

While some progress has been made in weakening the hold of the Communists on Italian labor during the last few years, the Communist-dominated CGIL is still by far the predominant labor organization. It has been U.S. policy to support unification of all non-Communist trade unions into one organization as the most effective means of overcoming CGIL domination of the majority of organized workers. To this end, CISL was sponsored and has received recognition and support of the U.S. Despite the efforts made toward unification, however, two non-Communist trade union organizations exist in Italy, the CISL and the UIL, and there is no immediate prospect that they will unify. In the light of this situation, it is necessary to review existing policy and determine whether our basic objective of overcoming Communist predominance in the Italian trade union movement is best served by continued exclusive recognition and support for CISL or whether such recognition and support should be extended both to CISL and UIL.

1. The efforts of the last few years to establish a single non-Communist trade union organization have consistently been opposed by some non-Communist trade union groups with the claim that a unified organization having predominantly Christian-Democratic leadership would have limited appeal because of the strong traditions of anti-clericalism among the bulk of potential union members in Italy. These groups argued that the Republican-Socialist traditions, which have so effectively been capitalized upon by the CGIL, represent a more effective basis upon which to compete with the CGIL through a non-Communist organization making an appeal to those traditions. As a result, the UIL was established in 1950 by those trade unionists who had left the CGIL but refused to go along with the unification plans in the establishment of CISL.

2. CISL is by far the larger of the two organizations, with CISL claiming a membership of 1,800,000 and UIL 425,000. Both figures are considerably exaggerated, probably in about the same proportion. Despite some expectations that lack of financial resources

[1] This memorandum was sent to Bonbright with a covering note which referred to a meeting held at the Department of State with several officers of the C.I.O. on December 18. A memorandum of this conversation is in file 865.06/12-1851.

would force UIL into extinction or into unification with CISL, it has managed gradually to build up an organization in most industries and Provinces. Nor is there any indication that this situation will change in the near future.

3. UIL has recently been admitted to the ICFTU and thus has been accorded recognition by the international free trade union movement. While admission was opposed by the AFL and CISL, the European trade union members of ICFTU favored admission, recognizing UIL as a legitimate non-Communist organization. The fact of recognition by the ICFTU and the European unions creates a situation in which it will be increasingly embarrassing and unrealistic for the U.S. to continue withholding recognition and support from the UIL.

4. CISL has attempted to build its organization as a "new kind of unionism" in which political and ideological identification of the organization could be avoided. In the class conscious, highly political worker atmosphere in Italy, this is a particularly difficult concept to put across. It has been made more difficult by the fact that the leadership of the organization is predominantly Christian Democratic and the bulk of the membership came from LCGIL, an organization established by the former Christian Democratic faction in CGIL on the basis of a decision taken at a national convention of ACLI (Catholic workers' education and welfare organization). There is some disagreement as to the extent of progress made by the organization in overcoming the Christian label. On the whole, however, it appears that the organization is still identified by the bulk of workers as a Christian organization. To the extent that this is the case, it is unlikely that CISL will have significant further growth in the near future.

5. Those workers whom it is most important to reach, the members of CGIL, are the most influenced by militant Socialist trade union traditions. Their evolution away from CGIL might most easily be accomplished by a Socialist trade union appeal. At least it may be worth a trial in the form of UIL. Lack of material resources has hampered large scale intensive UIL activity. On the other hand, the organization has in its national and provincial leadership many able young trade union leaders who could supply the energy and effectiveness for a serious membership drive.

6. The UIL has consistently repudiated the Communist political use of the trade unions and has taken a line parallel with the CISL in opposing political strikes. On the other hand, it has cooperated with the CGIL on many economic issues. This is not a reflection of a basic ideological orientation. It represents a judgment, generally erroneous, that it had more to gain than CGIL from such tactics. In addition, it has devoted a considerable amount of energy in attacking the CISL. This has by no means been a one-sided affair, however. The ICFTU in its consideration of UIL's membership application recommended that the CISL and UIL should cooperate on specific trade union matters and cease attacking each other. While these were not made conditions for UIL admission to membership, it is understood that UIL had indicated a willingness to accept these recommendations. The continued efforts of the ICFTU and, in addition, the policies followed by the U.S. may be influential in de-

termining the extent of actual cooperation between CISL and UIL. Recognition and support of both organizations by the U.S. would make it possible for the U.S. to further the improvement of relations between the organizations and to encourage common action against the CGIL.

7. CISL at the present time is facing two disturbing tendencies which have been developing during the last number of months. On the one hand, many of the Socialists within the organization have become restive and the possibility of their shifting away from CISL to UIL has become an increasing possibility. The other tendency has been some discussion by various Christian Democratic forces of the desirability of Christian unions as opposed to the type of unionism urged by the Pastore leadership in CISL. Both tendencies are to a large extent a natural reflection of the limits set on CISL's development by the attitude of most workers that it is a "Clerical" organization. In the case of the Socialists within CISL there is the additional element of their small influence relative to the Christian Democrats. In the case of the pro-Catholic union tendency, which is reflected more outside CISL than within the organization, another element is the resentment by the Christian Democratic Party that CISL has on occasion been critical of government policies. Recognition and support of the UIL might strengthen both these tendencies. In neither case, however, will it be a decisive element. It is increasingly evident that regardless of what policy the U.S. follows some of the Socialists in CISL will move over to UIL. This may not be altogether disadvantageous, since dissatisfied Socialists trade unionists within CISL may be less effective in opposing CGIL than they could be as part of an organization more congenial to them.

8. Recognition and support of both organizations would result in the inclusion of representatives of both organizations in the local ECA Labor Advisory Committee, in ECA and State Department exchange program grants, and in other ways put representatives of both organizations in a relationship which might develop generally better understanding between them. Such better understanding, cooperation on trade union policy, and common efforts against the CGIL can be firmly developed only over a period of time. Recognition and support for both organizations by the U.S. would be an important element in making this possible.

CONCLUSION

The U.S. should recognize and support both CISL and UIL, making its support conditional upon honest efforts by both organizations to develop cooperation on specific trade union problems, refrain from attacking and raiding each other, and make their principal goal that of gaining strength at the expense of CGIL. [2]

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[2] Bonbright sent a letter to Ambassador Dunn on January 7, 1952, in which he stated that this recommendation would now be the policy of the United States. (865.062/1-752)

THE NETHERLANDS

No. 339

Editorial Note

For documentation on the Netherlands defense effort and attitude toward a German contribution to the defense of Western Europe, see volume III, Part 1, pages 1 ff. and 990 ff. For documentation on the interest of the Netherlands in the economic and political integration of Western Europe, see Documents 1 ff. herein. For documentation on the interest of the Netherlands in the control of exports to Eastern Europe and the Soviet Union, see volume I, pages 993 ff. An exchange of correspondence between Queen Juliana and President Truman on the problems of refugee relief in Europe is printed in Department of State *Bulletin*, October 8 and 29, 1951, pages 572 and 701. For documentation regarding United States policy on the question of European tariff disparities, raised by the Netherlands in the Torquay tariff negotiating conference, 1950–1951, see volume I, pages 319 ff.

NORWAY

RELATIONS OF THE UNITED STATES WITH NORWAY; NEGOTIATION OF A POSSIBLE UNITED STATES-NORWEGIAN DEFENSE AGREEMENT [1]

No. 340

Editorial Note

The Prime Minister of Norway, Einar Gerhardsen, paid his first visit to the United States in May 1951. It was an informal, unofficial visit in which he visited several Norwegian-American communities around the country, going as far west as Seattle. He had expressed a desire to meet some American labor leaders and was the guest of John L. Lewis at a small private luncheon in Washington on May 26.

On Monday, May 28, the Prime Minister and Mrs. Gerhardsen had lunch with the President. That same afternoon Gerhardsen and the Norwegian Ambassador to the United States met with the Secretary of State. A memorandum of their conversation and other information on Gerhardsen's trip is in Secretary's Memoranda, lot 53D444.

[1] For previous documentation on U.S. relations with Norway, see *Foreign Relations*, 1950, vol. III, pp. 1530 ff.

No. 341

711.56357/8-151

Memorandum of Conversation, by Kenneth Byrns of the Office of British Commonwealth and Northern European Affairs

TOP SECRET [WASHINGTON,] August 1, 1951.

Subject: First Formal Meeting on Norwegian Defense Negotiations

Participants: Mr. Brackley Shaw—Air Force
Mr. John A. Johnson—Air Force
Col. Harris—Office of Secretary of Defense
Capt. Dingwell—U.S. Navy
Col. Malcolm—Air Force
Col. Ofsthun—Air Force

Col. Lightfoot—Air Force
Comdr. Clute—MAAG Norway
Major Schroeder—Army
Comdr. Kinsella—U.S. Navy
Mr. Raynor—BNA
Mr. Ronhovde—BNA
Mr. Rogers—RA
Mr. Byrns—BNA

Mr. Raynor stated that he assumed that the requirements remained the same as those mentioned in previous informal talks. In other words, Defense wants two air fields to be available to them on D-day and will need a limited number of people to maintain them on a standby basis. He said that he believed that we could get these rights. A lot depends however on the approach. The Norwegians are opposed to foreign troops being on their soil and are influenced by their proximity to the Russians. It is our feeling that it would be unlikely (not impossible) that the Norwegians would want to enter into a base agreement like the one that we have for Iceland or Greenland. [1] Mr. Raynor said that he wasn't sure that it would be wise to put the Norwegians on the spot and ask them for such an agreement because of their common boundary with Russia. It might be advisable to proceed as we did in the case of Turkey and let the country where the bases are to be established build them, and not to have the U.S. acquire them. Our thinking is that it would be better to make arrangements to obtain the facilities needed other than by asking for an outright grant of bases. Of course, there is a question of whether or not the Norwegians can construct fields to our specifications, but if we send in construction crews, this action on our part might put them in the same spot as having a formal base agreement. We would have to assist them with equipment and give them technical advice. It might be possible to do this without a formal agreement if we use MDAP funds. I understand if we use Air Force funds that we must have an agreement.

In the general discussion that followed it was decided that Defense and State would send a team to Oslo to explore the possibilities of negotiating an agreement. The team would not enter into formal negotiations but would probably report back for briefing and further instructions.

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[1] For documentation relating to negotiation of a defense treaty between the United States and Iceland, see Documents 205 ff. The agreement between the United States and Denmark concerning the defense of Greenland is in 2 UST (pt. 2), p. 1485.

No. 342

740.5/8-151: Telegram

The Secretary of State to the Embassy in Norway [1]

TOP SECRET WASHINGTON, August 1, 1951—7 p.m.

104. Defense and State have been consulting re fulfillment US responsibilities cooperate with Norway in working out NATO defense requirements in response request North Atlantic Regional Planning Group. [2] Discussions here have reached point where we can be ready on relatively short notice send small group technical reps Defense plus State rep to Oslo to explore with officials Nor Fon and Defense Ministries possible ways and means to achieve requirements. Ascertain from Nors suitable time for exploratory talks indicating we are prepared send group of three or four shortly after Aug 15 and wld like see discussions begin about that date.

ACHESON

[1] Drafted and approved for transmission by Ronhovde; signed for the Secretary by Bonbright. Repeated to London.

[2] At a meeting of the North Atlantic Treaty Organization Ministers of Defense at Washington in October 1950 a decision was made, and subsequently approved by the North Atlantic Council, to invite the United States and Norway to negotiate an agreement under which North Atlantic Treaty Organization armed forces would be allowed to use facilities in Norway for the defense of Norway and the rest of the North Atlantic Treaty area. The agreement was to implement the North European Regional Planning Group Medium-Term Defense Plan.

No. 343

740.5/8-751: Telegram

The Ambassador in Norway (Bay) to the Secretary of State [1]

TOP SECRET OSLO, August 7, 1951—4 p.m.

143. I discussed with FonMin today visit to Nor of technical reps Def and State as requested Deptel 104 Aug 1 [2] rptd London Todep 66 and Paris as intel Aug 2, 8 a.m. FonMin stated that govt prepared receive team but that he will have to discuss time with DefMin. Most Mins now returning from vacation, with PriMin scheduled return Aug 19. He will let us know Nor Govt preference as to time but indicated possibly week of Aug 20.

BAY

[1] Repeated to London for Spofford and to Paris for MacArthur.

[2] *Supra.*

No. 344

740.5/8-1151: Telegram

The Ambassador in Norway (Bay) to the Secretary of State [1]

TOP SECRET OSLO, August 11, 1951—5 p.m.

163. Lange called me to FonOff today to inform me that Cabinet has approved discussions with US representatives along lines of Deptel 104, Aug 1, [2] and suggested that discussions begin week of Aug 20. (Embtel 143, Aug 7; [3] rptd London 25, Paris 20.) Lange stated Norwegian authorities assume these talks will be exploratory and that they are based on decision taken by NATO Ministers of Defense at Washington last October and subsequently approved by NAT Council. On that assumption Lange supposes bilateral agreement with US would be followed by negotiations with each of the other countries in North Atlantic regional planning group. He expects US–Norway agreement therefore to set precedent for bilateral agreements with Great Britain and Denmark.

Lange stated that Norwegian Govt would like to have representative Northern European Command of SHAPE present at discussions. I presume North European Command representative would be either General Taylor or his Chief of Staff Col. Reynolds, both of whom happen to be Americans, although it might turn out to be British or even Danish officer.

Please advise as to (a) correctness of Norwegian assumption that these negotiations stem from NATO decisions of last year cited above, [4] (b) Dept's attitude toward presence of Northern European Command representatives, (c) acceptability of dates proposed, and (d) composition of US delegation. [5]

BAY

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[1] Repeated to London for USDep and to Paris for MacArthur.

[2] Document 342.

[3] *Supra.*

[4] Telegram Repno 1 to Oslo, August 21, informed Bay that the Norwegian assumption was correct and indicated some NATO documents supporting that assumption. (757.5/8-2151)

[5] In telegram 141 to Oslo, August 14, the Department of State reported it had no objection to a SHAPE representative. It preferred him to be an American but would not insist on that point.

It informed Bay that the team would consist of Col. Sidney Ofsthun, Air Force, Chairman; Maj. Earl Schroeder, Army; John Johnson, Associate General Counsel of the Air Force; and Charles Rodors, Department of State. Those members were to arrive on August 24, and August 27 was accepted as the date for the beginning of the talks. Comdr. James Clute, MAAG, who was already in Oslo, was the Navy member of the team. (740.5/8-1151)

No. 345

757.5/8-2751: Telegram

The Ambassador in Norway (Bay) to the Secretary of State [1]

TOP SECRET OSLO, August 27, 1951—11 p.m.

Norep 1. First meeting re military operating rights held this morning [2] at Akershus. Composition Norwegian team Colonel Ornulf Dahl, Defense Staff, Chairman; Lt. Colonel Kaldager, RNAF; Commander R. K. Andresen, RNN; Jan Rustad, Minister of Defense; Frithjof Jacobsen, FonOff (American desk).

Welcoming team, Dahl expressed hope that negotiations would result in draft agreement which could be laid before both governments for approval. He next explained Norwegian base policy, both reading and circulating excerpts Hauge's February 21 Storting speech (Embassy's despatch 1427, April 2 [3]) and referred to latter as official policy which Norwegian team not entitled discuss. Dahl further stated any agreement reached must be ratified by Storting. Upon query this point, FonOff representative explained agreement for publication should be in general terms accompanied as necessary by secret annexes.

US delegation briefly set forth our requirements including reference to US personnel needed at Gardermoen and Sola to supplement Norwegians. Norwegian reaction not negative. Norwegian delegation described expansion under way or planned at numerous airfields in Norway together with relationship this expansion to MTDP and planned disposition Norwegian units. It was agreed form technical sub-comite compare detailed US requirements with existing and planned Norwegian facilities and service at Gardermoen and Sola. Meeting adjourned, having required only one hour.

Norwegians appeared surprised at narrowness pre-D-Day requirements as stated. However, during meeting Colonel Page, USAF

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[1] Repeated to London for USDep and to Paris for MacArthur. The Department of State relayed it to the Air Force for Newmark on August 28 at 9:30 a.m.

[2] More detailed minutes of the meetings of the Military Operating Rights Team for Norway are in file 757.5.

[3] The Embassy sent a copy of the speech under reference to the Department of State in despatch 1427 after a March 30 proposal by Gromyko to the Four-Power Deputies in Paris that the agenda for a meeting of the Council of Foreign Ministers include an item on U.S. military bases in Norway. See telegram 5835, March 31, vol. III, Part 1, p. 1118.

Hauge's speech was a restatement of Norwegian defense policy and said, in part, "Norway will not take part in any alliance that leads to the 'opening of bases for the armed forces of foreign powers on Norwegian territory as long as Norway is not attacked, or exposed to threat of attack.'" Hauge said the section quoted by him was taken from a February 1, 1949 note from Norway to the Soviet Union, and Norwegian policy had not changed since then. (700.56357/4-251)

SHAPE observer, explained that US requirements as set forth by US delegation could not be regarded as final since regional planning under SHAPE may develop additional requirements all three services. Apparent that Norwegians expect negotiations lead to formal agreement but not as yet clear whether they have in mind agreement which would include pre-D-Day operating rights. We expect explore this point simultaneously with sub-comite discussion detailed requirements.

BAY

No. 346

Editorial Note

On July 10 and August 2, the Norwegian Government sent two notes to the Soviet Government explaining that it was moving the bodies of Soviet war dead from scattered areas in the three northern Norwegian provinces to a memorial cemetary on Tjotta Island in southern Norway. The Soviet Government objected to the transfer of the graves and denounced Norwegian policy in two notes dated August 22 and October 1. On October 15, Soviet Foreign Minister Vyshinsky handed the Norwegian Minister in Moscow a note accusing the Norwegian Government of taking "large-scale measures tending to implement the terms, hostile to the Soviet Union, of the Atlantic alliance," and claiming "the Norwegian Government has put the Islands of Spitzbergen and Bjornoya (Bear Island) at the disposal of the supreme commander of the so-called North Atlantic ocean area."

The Norwegian Government rejected Soviet charges and, in a note of October 30, said Norway had never established military fortifications in the Arctic Sea and would not allow any other state to do so either. On October 31, the Soviet Government demanded that the Norwegian Government stop the "unwarranted mass destruction of graves and cemeteries of Soviet warriors in Norway," and on November 12 the Soviet Union sent another note accusing Norway of aggressive anti-Soviet acts in the Arctic area. Among other charges, it claimed: "the Soviet Government finds it necessary to declare [that] the fact that the Spitzbergen Archipelago and Bear Island have already been turned over to the Supreme Command under the so-called North Atlantic Ocean Area Authority."

The exchanges of notes and statements cited above were publicized in the Norwegian and Soviet press. For English translations of the Soviet notes and summaries of the Norwegian notes as they were published in the Soviet press, see *Current Digest of the Soviet*

Press, volume III, Numbers: 24, page 21; 37, page 26; 38, page 18; 40, page 25; 41, page 25; 42, page 25; 43, page 25; 44, page 19; 45, page 17; and 46, pages 9 and 29. English translations of the Norwegian and Soviet notes, together with comments on them by the Embassy in Oslo, are in telegrams and despatches in Department of State files. Memoranda of conversations between the Norwegian Ambassador in Washington and members of the Department of State, reports of the Norwegian Foreign Minister to the North Atlantic Council, and other documentation on the subject are in files 601.5711, 657.61, 711.56357, 740.5, 757.5, 780.5, and 857.552.

No. 347

740.5/10-1851: Telegram

The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State [1]

SECRET PRIORITY LONDON, October 18, 1951—8 p.m.

Depto 481. At yesterday's CD mtg Nor dep distributed text of Sov note (Oslo's 353 [2]) and read Lange's statement (Oslo's 355 [3]). Stated he was not requesting action but wished to draw dep's attention to situation and wld keep them informed.

In reply to UK query as to reason for presentation note at this time, he stated Nor Govt not clear but recognized numerous possibilities including:

1. Delayed reaction to Greenland and Iceland agreements,
2. Merely additional shot in barrage of intimidation and propaganda,
3. Recent Nor-Russian dispute over war graves, [4]
4. Specific reaction as mentioned in note to recent maneuvers and visits of aircraft and Allied milit officers,
5. Possible preparation for Spitzbergen move. He said last-named wld be blow not merely at Nor but at numerous other members who were signatories of treaty. He indicated privately that Russia might consider Spitzbergen soft spot in NATO area where they cld test NATO's reaction. [5]

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[1] Repeated to Oslo and Paris.

[2] Dated October 16; it contained the full text of the Soviet note handed to the Norwegian Ambassador in Moscow on October 15. Additional information on the note is in the editorial note, *supra*. (657.61/10-1651)

[3] Dated October 16; it contained the full text of the Norwegian Foreign Office release commenting on the Soviet note of October 15. (657.61/10-1651)

[4] See the editorial note, *supra*.

[5] A handwritten note at the top of the telegram, from Parsons to Wolf, read, "Before filing, do you think we ought to consult with Spofford re Spitzbergen—yr

Continued

Chairman noted revision of Spitzbergen treaty apparently only possible by consent of all parties, expressed gratitude that Nor Govt keeping NATO govts informed through CD of developments, referred to long series of Sov notes addressed to different govts alleging aggressive intentions and referring to bases, and noted Lange's prompt and firm statement.

SPOFFORD

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memo to Matthews, etc." In answer, Wolf wrote, "No. Later cables give milder evaluation by Nors." Below is the annotation, "No action—File," dated October 22.

A memorandum of conversation, dated October 17, recorded a meeting between the Norwegian Ambassador and members of the Department of State. It reported that Morgenstierne did not appear especially alarmed, speculated that direct Soviet action in Spitzbergen could hardly be contemplated, and said he did not see what the Soviets could do, other than to make difficulties in commercial matters. (780.5/10-1751)

No. 348

757.5-MAP/10-2551: Telegram

The Ambassador in Norway (Bay) to the Secretary of State

RESTRICTED OSLO, October 25, 1951—2 p.m.

396. Toisa. Text requested Dept cir airgram Oct 2, 4:35 p.m. [1] transmitted below (ref London 64 Oct 19). [2] Photos requested Depcirtel 335 Oct 12 [3] being airpouched today.

Text as fols:

Progress of mutual security program for Norway during April-Oct 1951 period can be understood best in light of certain circumstances peculiar to country. Norway is unique among NATO countries in that it has common frontier with Sov Union, in exposed, strategic position on Europe's northern flank, in ruggedness of its terrain, paucity developed natural resources, and small number inhabitants. Industry and enterprise of Nors is illustrated, however, by fact they have rebuilt their merchant fleet, over half of which destroyed during last war, to position third largest in world. Nors are peace-loving people and, with exception World War II when govt in exile, supported by Nor underground, vigorously resisted Ger occupation, have had long history of neutrality. Decision Nor Govt in 1949 to join NATO, despite Russian intimidation, was cou-

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[1] This circular airgram requested information for the preparation for Congress of the fourth semiannual report on MDAP, to cover the period from April 1, 1951, to September 30, 1951. (700.5-MAP/10-251)

[2] Not found in Department of State files.

[3] Circular telegram 335 requested photographs of U.S. MDAP equipment in use for inclusion in the report to the Congress. (757.5/10-1251)

rageous undertaking, especially since it confronted Norway with unprecedented mil responsibilities. Despite Norway's lack of experience with modern mil org and equipment its leaders helped set pace in NATO by adopting ambitious targets for build-up mil forces. As consequence of these targets and deficiencies Nor mil equipment, program of US mil aid was of necessity developed on very substantial scale.

During period under review, general scope Norway's def program was publicly considered and approved by Parliament, which passed ordinary def budget early May and unanimously approved extraordinary def appropriation end June. These appropriations authorized 2/3 increase Nor's def expenditures during FY '52 compared to FY '51. Parliament also late May authorized increases in training periods for conscriptees and reserves which had actually been put into effect by administrative action Dec 1950. US mil equipment was delivered to Norway throughout period in progressively larger quantities enabling gradual increase in effectiveness and mobility Nor forces. On other hand, it became apparent during spring that Nor plans for achievement mil force goals required considerable further development, and Nor Govt and mil services have become increasingly aware of complexities involved in building modern mil establishment. In late spring Def Ministry and MAAG jointly undertook to study organization of Nors mil services, with particular attention to requirements full time personnel. Shortages such personnel, a reflection of Norway's traditional reliance on mobilizable forces (a "citizens army"), and problems associated with construction of mil facilities, are two of most serious difficulties to be overcome by Norway in its achievement of effective military build-up. These inadequacies were illustrated during period by emergence of some problems in storage, maintenance, and utilization of US equipment. MAAG, however, carefully adjusts flow of equipment to ensure that deliveries are made in accordance with capacity of Nor services to maintain and utilize them properly. [4]

Norway has continued to follow econ policies designed to support its def program. The govt has not permitted civ consumption to rise

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[4] Telegram 121 from Oslo, July 25, reported that the Chief of MAAG in Norway recommended postponing delivery of recommended MDA equipment for Norway because of inadequate maintenance and utilization of U.S. equipment. (757.5/7-2551)

Telegram 127 to Oslo, August 8, told of Department of State concern about the sweeping character of the proposed suspension of MDAP deliveries and possible adverse reaction on the part of the Norwegians. (Oslo Embassy files, lot 61F15)

In the MDAP General Monthly Report for October, transmitted to the Department on November 16 as despatch 492, the Ambassador reported that the Special Assistant and Chief, MAAG, attended an ECC meeting in Paris where it was agreed it would be undesirable at that time to bring further pressure to bear on the Norwegian Government for remedial action. (757.5-MAP/11-1651)

despite improved econ conditions. Sales tax was increased in April 1951 from 6¼ to 10 percent on all transactions, substantial addition to already heavy tax burden. Controls over scarce industrial materials and over investments were tightened. During period, Norway's external econ position was also greatly improved by increased ship earnings and favorable trend in terms trade. As result these factors plus rigorous policies pursued by govt, Norway has reduced substantially its need for US econ assistance, while at same time it has undertaken substantial increase in its defense expenditures. In field mil production, for which Nor capacity extremely limited, April–Oct period saw gradual but steady implementation of projects for products such as arms and ammunition, Quartermaster material and communications equipment, several of which had been allocated dol aid by United States Govt for procurement materials and machinery outside Norway.

Foreign policy of Nor Govt continued during period to have steady support of all major political parties. Position these parties has reflected popular endorsement Norway's participation NATO and a public attitude towards Norway's def program as grim but necessary task. Neutralist element in Norway has been small and ineffectual. Norway's Commies have continued highly vocal but have demonstrated little effectiveness, although their voting strength still nearly 100,000 and their activity appears to have increased in far north where exist certain degree unemployment and lower than average standard living. In sharp contrast to situation 1950, there has been widespread and full coverage by Nor press and radio of NATO activities and of Nor def measures and military exercises. Highlights in this field during period were celebration second anniversary NATO, a major def exhibit in Oslo sponsored jointly by Ministry Def and large popular org for promotion def, also colorful and impressive ceremony, attended by General Eisenhower, on occasion first 5 Thunder jet aircraft were delivered to Norway under MDAP.[5] Of particular importance to popular awareness NATO was establishment Oslo during June of SHAPE Hdqrs for northern Eur region under Adm. Brind (Brit Navy) and Gen. Taylor (US Air Force).

On broad polit front, several developments recent months have demonstrated consistency and firmness Norway's support NATO and United Nations. Immediately prior to period under review, Nor Parliament had approved North Atlantic Council Plan, adopted Brussels, for establishment joint NATO command, and had author-

[5] Eisenhower, accompanied by General Norstad and other aides, went to Oslo on September 10 for the presentation of U.S. jets to Norway. An account of the 1-day visit is in despatch 274 from Oslo, September 17. (757.5-MAP/9-1751)

ized govt to designate Nor forces to be placed under that command. Parliament also approved decision North Atlantic Council to negotiate for inclusion Western Ger forces in joint command. On July 16, in response to "uniting for peace" res United Nations General Assembly, Nor Govt indicated that, subj constitutional processes and consultation with SHAPE, Nor unit of battalion strength wld be placed at disposal United Nations. There is also a Nor brigade now participating in occupation Germany. When question NATO membership for Greece and Turkey came up for decision by North Atlantic Council Ottawa Sept, Nor Govt subordinated its reservations to larger interests western def and joined in unanimous vote for accession. On June 23, in foreign policy debate Nor Parliament, FonMin made fol statement typifying frequently expressed attitude Nor leaders: "We are strongly convinced that peace can be assured only if the democracies on both sides of the Atlantic become so strong as to leave no doubt that any form of aggressive policy is profitless".

Immediate and widespread press repudiation Russ note of Oct 15, charging Norway with aggressive actions associated with its participation NATO, was good indication present temper Nor people. [6] Fol excerpt from Oslo newspaper editorial at this time is typical of comment fol publication Russ note: "Our preparedness program is correct and above board and there is not even shadow of aggressive plan in it. . . . We have joined NATO based on conviction . . . that peace and freedom are identical. We want peace for ourselves and all peoples, but we wld betray ourselves and all peoples if we paid in freedom to purchase peace".

BAY

[6] Regarding the Soviet note of October 15, see Document 346. Despatch 387 from Oslo, October 17, reported on Norwegian press comments concerning the Soviet note. (657.61/10-1751)

No. 349

711.56357/11-1751

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Deputy Under Secretary of State (Matthews) [1]

TOP SECRET [WASHINGTON,] November 17, 1951.

Subject: Negotiations with Norway

[1] Drafted by Ronhovde.

The attached telegram from Mr. Raynor [2] points a finger at a situation which has been giving us increasing concern.

Nearly three months ago a State–Defense team went to Oslo to explore with the Norwegians the best means by which US military requirements in Norway could be met. Although there was doubt in our minds at the time that government level agreements would be desirable or necessary to accomplish our objectives, Defense prepared a draft which the team took with them. [3] From the outset of the discussion in Oslo the Norwegians spoke of a government agreement, and our team tabled a slightly modified version of the Defense draft. [4] The Norwegians finally countered with a draft of their own [5] and that version has been under consideration for several weeks. The Norwegian draft is relatively innocuous in its terms, and Defense is pushing us to request substantive changes which we have reason to believe the Norwegians will not accept.

The Norwegian Defense Minister, who has led the discussions from their side, three weeks ago said he had changes to propose. [6] These have not been forthcoming and the negotiations are at an apparent standstill. We tend to believe this silence is significant and that it may reflect Norwegian reluctance to enter into a public agreement which they have been willing to discuss with us chiefly because they thought we needed one.

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[2] Not found in Department of State files.

[3] The original proposed draft executive agreement prepared by the Department of Defense, dated August 1, was enclosed in a letter from Robert Lovett, Acting Secretary of Defense, to the Secretary of State on August 22. Enclosed in the same letter was a paper, also dated August 1, listing U.S. military requirements in Norway. (757.5/8–2251)

[4] The slightly modified version of the Defense draft was a copy prepared by the U.S. negotiating team in Norway, dated August 22, and later amended according to suggestions from the Department of State contained in telegram Repno 6 to Oslo, August 30. (757.5/8–2951) Telegram Norep 4 from Oslo, August 31, contained the text of the modified version mentioned here. (757.5/8–3151)

[5] Telegram Norep 6 from Oslo, September 12, contained the text of the Norwegian counterdraft which had been given by the Norwegian Defense Minister to an Embassy representative on that date. (757.5/9–1251) Telegram Norep 7 from Oslo, September 14, reported a meeting between the U.S. members of the negotiating team and members of the Norwegian Foreign Office. It contained a comparison of the U.S. and Norwegian drafts, and explained why the Norwegian draft was much less specific than the U.S. version. Bay reported, "Gen agreement would in Nor view constitute broad framework politically acceptable in Nor within which he [Boye] expected number of secret mil agreements might be made. . . . Nor Govt wishes avoid any action which would focus public attention on US operations in Nor under agreement." (757.5/9–1451)

[6] Telegram Norep 18 from Oslo, October 26, reported a meeting with the Defense Minister the previous day in which he said he wanted to reword part of the draft slightly in order to make it politically more acceptable to the Storting. (757.5/10–2651) Telegram Norep 20 from Oslo, November 3, reported a meeting on that day with the Defense Minister in which he said he had not yet had time to prepare his revision. (757.5/11–351)

Our increasing concern grows out of several facts such as (1) the obvious reluctance of the Norwegians to enter into a public agreement of real substance, (2) the effect on Norway of the Soviet barrage of sharp notes to Norway regarding NATO, the base issue and Spitzbergen, [7] and (3) a possibility that our requirements in Norway might be substantially achieved without a public government to government agreement. L leans strongly to this latter view.

In view of the fundamental questions raised by the above developments, we propose to have a thorough review of the problem and, if you concur, [8] would like to call Snow, Counselor of our Embassy back to Washington to give us a thorough briefing on the situation in Oslo. [9] We will, of course, tell Defense that we are bringing Snow back. [10]

State–Defense discussions have indicated that Defense strongly desires a government level agreement. It is possible that after having had Snow's views and advice, we may decide that a formal agreement with Norway is neither politically wise nor really necessary. If so, Defense may prove difficult to convince, and I wish to alert you to this possibility. [11]

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[7] Regarding this Norwegian-Soviet exchange of notes, see Document 346.

[8] A handwritten note in the margin initialed by Matthews read "I concur."

[9] Telegram 499 from Oslo, November 20, reported that Snow was leaving Oslo on November 22 and planned to arrive in Washington the following day. (757.5/11-2051)

[10] At this point in the source text Matthews deleted the following clause: "and will inquire whether Defense wishes its team to return with him," and commented "They may want to bring their team back tog[ether] but we hope not."

[11] For a record to Department of State discussions with Defense on the type of agreement necessary, see the editorial note, *infra*, and the memorandum of conversation, Document 351.

No. 350

Editorial Note

A memorandum from Bonbright to Matthews, dated November 28, reported that members of the Department of State, including Snow, had met members of the Department of Defense with inconclusive results. It stated that "lower level Defense representatives are firm in their position" and the Department of State could either acquiesce or approach Defense at a higher level. (711.56357/11-2851)

A December 3 memorandum from Bonbright to Matthews informed him that a discussion with the Pentagon at General White's level had not changed the Defense position and suggested

that the Department of State not push Defense at that time. It recommended, however, that it would be "desirable to record our concern over the possible political effects of a public agreement and to make clear that our willingness to proceed in this way rests mainly on the fact that the Norwegians themselves have not on the record opposed the public agreement procedure." (711.56357/12-351)

On December 4, Matthews, for the Acting Secretary of State, wrote a letter to the Acting Secretary of Defense stating the Department of State position on the matter of an agreement with Norway. He informed Defense that the Department of State would prefer an informal, unpublished arrangement with the Norwegians, but in the absence of a formal objection by the Norwegian Government it would not object to the government-level agreement preferred by Defense. He concluded by saying that the Department of State "must, however, be in a position to inform the Norwegians, if the point arises, that the United States is not seeking to effect an arrangement which would modify the commitments which Norway has assumed under Article V of the North Atlantic Treaty." (757.5/12-451)

An answer by the Acting Secretary of Defense, dated December 22, reported his pleasure that the Department of State did not object to the conclusion of a formal intergovernmental agreement. He requested that the Department of State instruct the Embassy in Oslo "to proceed with the conclusion of the proposed agreement as soon as possible. I would appreciate being informed of the form and substance of the agreement as negotiated prior to its final signature." (757.5/12-2251)

No. 351

711.56357/12-451

Memorandum of Conversation, by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor)

TOP SECRET [WASHINGTON,] December 4, 1951.

Subject: Military Base Rights in Norway

Participants: Mr. John Johnson, Associate Counsel, U.S. Air Force
Mr. Hayden Raynor, Director, Office of British Commonwealth and Northern European Affairs

Mr. Johnson called this afternoon at my request. I handed him a copy of our letter to the Acting Secretary of Defense of December

4 [1] on this subject, telling him this had been sent over to the Office of the Secretary of Defense by hand and that I wanted the Air Force to have a copy at the same time. I explained that as he would note from the letter, the Department had serious reservations with respect to proceeding with a published agreement, but after the most exhaustive consideration of the question, we had decided not to interpose an objection to this course of action as the Norwegians appeared to be in fundamental agreement with it and had not raised formal objections.

I said that our letter should be interpreted to mean that should the Norwegians formally raise objections to this course of procedure, the Department was strongly of the opinion that we should not press it upon them, and if such a contingency occurred, we suggest to the Norwegians other methods of accomplishing the desired objectives. I also said that we felt strongly with respect to the point about Article 5 [2] of the North Atlantic Treaty, and that in the light of our relations with Norway felt that if we were questioned on this point, we must of necessity give the Norwegians the interpretation contained in our letter.

I told Mr. Johnson that as Mr. Snow had already hinted to him we would probably take a fresh look in the Department at the whole registration question, and if, as a result, a change of policy on this question should occur, we would then, of course, desire to change our approach on this problem.

Mr. Johnson inquired whether State would go along, if, as he anticipated, Minister Hauge indicated willingness to sign the present agreement within a few days after negotiations were resumed [3] or whether we would raise further questions at that point. I said that I thought our letter made it clear that if things went smoothly, as he predicted, we would be prepared to go along. I said, however, I thought serious consideration should be given to the desirability of

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[1] Regarding this letter, see the editorial note, *supra*.

[2] Article V of the North Atlantic Treaty stated that an attack against one or more of the signatories would be considered an attack against all, and in case of an attack each would "assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area."

[3] Telegram Norep 24 from Oslo, December 17, reported that negotiations had been resumed. It contained the text of a government-level draft, including changes submitted by the Defense Minister at a meeting that morning, and recommended that the Department of State authorize the negotiating team to inform the Defense Minister that the draft was acceptable to the United States. It informed the Department that the team was proceeding to work out an agreed minute with the Defense Minister stating the principles that would govern implementation of the basic agreement and said the Defense Minister had expressed the intention of concluding that phase of the negotiations within a week. (757.5/12-1751)

formalizing the underlying arrangements before the overall agreement was made public in view of the considerations expressed in the second paragraph of the letter. I said we felt it was certain that the Soviets would make a strong protest to Norway when the agreement was made public with the result that the Norwegians would become more cautious, and that unless the underlying arrangements were worked out in advance of publication of the overall agreement, we very much feared that we would be unable to get what we wanted in the underlying arrangements. Mr. Johnson appeared to think that providing we had firm agreement on the principles of the underlying arrangements, the details, which he thinks will take some time to work out, can wait. I think, however, he was somewhat impressed by this point which I made.

I said that another factor in our thinking which had not been included in the letter was our feeling that Soviet reaction would be based to a considerable extent on what they saw happening in Norway and not on the contents of an agreement. I said that in our mind the way in which operations were carried out would be of the greatest importance. By way of illustration I said we feel that American personnel should be restricted to the absolute minimum and that considerable caution should be exercised with respect to the program for rotational training exercises. I said that we had a very serious question as to whether bombers should be included in such exercises. Mr. Johnson said he was not in a position to comment on a straight military question of this type, but he thought the military would feel that some bomber practice would be necessary.

Mr. Johnson's general offhand reaction was that our letter would be understood in the Defense Department and that they would be able to proceed in accordance therewith. He did indicate that, at least in his opinion, we were wrong with respect to the point on Article 5 of the Treaty, and I gained the impression that the Air Force will probably desire to debate this question with us.

PORTUGAL

THE MUTUAL DEFENSE ASSISTANCE AGREEMENT OF JANUARY 5, 1951; NEGOTIATIONS FOR THE EXTENSION OF UNITED STATES MILITARY BASE RIGHTS IN THE AZORES

No. 352

Editorial Note

On January 5, the United States and Portugal signed a Mutual Defense Assistance Agreement similar to agreements on the same subject between the United States and other countries party to the North Atlantic Treaty.

The text of this agreement is in *United States Treaties and Other International Agreements* (UST), volume 2 (part 1), pages 438–452. For background documentation on the negotiations leading to this Agreement, see *Foreign Relations*, 1950, volume III, pages 1540 ff.

In accordance with authorization granted in Article VI, paragraph 2 of the Agreement, a United States Military Assistance Advisory Group (MAAG) was formally established in Portugal on February 2, 1951 under Acting Chief Colonel William G. Lee, Jr., USAF. (Note from the Embassy in Portugal to the Portuguese Ministry of Foreign Affairs, February 2, Lisbon Embassy files, lot 59F95, "MDAP")

On February 9, Secretary of Defense George C. Marshall informed Portuguese Minister of Defense Fernando de Santos Costa that the North Atlantic Ocean Regional Planning Group had determined that defense plans for the region had progressed to the point where discussions should begin between the Governments of Portugal and the United States concerning military operating requirements for the Azores. Marshall asked that military discussions between members of the Portuguese and American defense staffs begin at an early date. (Lisbon Embassy files, lot 59F94, "Azores Negotiations, 1951") In telegram 279, February 13, the Secretary of State informed Ambassador MacVeagh in Portugal that a team of Department of Defense personnel led by Brigadier General James C. Smelser, USAF, would proceed to Lisbon via the Azores at the end of the month to begin negotiations. A Defense Agreement Between the United States and Portugal Respecting Use of Facilities in the Azores was signed at Lisbon on September 6. The text of this

Agreement, is in 5 UST (part 3) 2263. Documentation on the negotiations leading to this Agreement is in Lisbon Embassy files, lot 59F94, "Azores Negotiations, 1951" and in file 711.56353B.

SPAIN [1]

INTEREST OF THE UNITED STATES IN THE PARTICIPATION OF SPAIN IN THE DEFENSE OF WESTERN EUROPE; CONSIDERATION OF NATO MEMBERSHIP AND ALTERNATIVE MILITARY ARRANGEMENTS

No. 353

S/S–NSC files, lot 63D351, NSC 72

Draft Report by the Secretary of State to the National Security Council [2]

TOP SECRET
NSC 72/2

[WASHINGTON,] January 15, 1951.

UNITED STATES POLICY TOWARD SPAIN

THE PROBLEM

1. Changing conditions resulting from Soviet-inspired aggression and the consequent increasing danger of global war, require a reconsideration of U.S. policy toward Spain which will serve the immediate requirements of our national security.

ANALYSIS

2. The potential military value of Spain's geographic position grows steadily in direct proportion to the deterioration of the international situation. It is necessary to incorporate Spain into the strategic planning for the Western European, Mediterranean and North Atlantic areas which are essential to our national security.

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[1] For previous documentation on U.S.-Spanish relations, see *Foreign Relations*, 1950, vol. III, pp. 1549 ff.

[2] As early as January 5 a draft memorandum designed to reconcile the conflicting views of NSC 72 and 72/1 (see *ibid.*, pp. 1560 and 1570, respectively), was circulating within the Department of State. It had been read by Paul Culbertson, former Counselor of Embassy in Madrid; Francis T. Williamson, Deputy Director of the Office of Western European Affairs; James Bonbright, Deputy Assistant Secretary of State for European Affairs; and George Perkins, Assistant Secretary of State for European Affairs. The draft was approved in substance by Deputy Under Secretary of State H. Freeman Matthews, and on January 15, 1951, Secretary Acheson transmitted the draft to James S. Lay, the Executive Secretary of the National Security Council, who circulated it as a report to the National Security Council and designated it as NSC 72/2. The source text was circulated with a cover sheet and a note of transmission by Lay.

This necessity is becoming urgent, as in the case of German participation in the Western European defense system.

3. Our ultimate objective should be to obtain Spanish participation in the MDAP and the NAT. Although this is still not practicable, for the reasons indicated in NSC 72/1, we should begin now to provide for the contribution Spain can make to the common defense in a manner consonant with our basic policy objectives in the NAT area. [3]

4. In the event of a Soviet attack on Western Europe, the Spanish Government, spurned for several years by the Western Nations, is entirely capable of attempting neutrality. The longer we delay before seeking Spanish cooperation, the more we encourage this neutrality sentiment, or at least encourage the Spaniards to place an exorbitantly high price on their cooperation. On the other hand, the sooner we decide that Spain shall play a role in the common defense of the Western European, Mediterranean and North Atlantic areas, the more time we will have to obtain the detailed information needed to determine what is required to make effective use of Spanish bases and manpower. At present, Spanish forces have no offensive capabilities and only the most limited defensive capabilities; in order to contribute militarily they would consequently require extensive re-equipping and training. The use of bases would also require action to overcome such serious handicaps as the inadequacy of Spanish air fields and their limited storage and repair facilities, the absence of radio and navigational equipment, inadequate and debilitated port facilities, railroads and highways and inadequate tele-communication facilities.

5. Thus, if we do not soon determine to exploit Spain's strategic geographic position and to develop its military potentialities, manpower and resources, we may well lose the opportunity.

6. NSC 72, submitted by the Secretary of Defense, presents the desirability of close military relations with Spain, and preferably Spanish participation in the NAT; NSC 72/1, presented by the Sec-

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[3] In despatch 788, January 11, the Chargé in Spain, John Wesley Jones, informed the Department of State that "a reliable source" had reported that General Franco had recently expressed the intention "to contribute Spanish armed forces in a combined general defense of Europe." Franco reportedly declared that he was "prepared to contribute to a European army under the leadership of General Eisenhower a proportionate number of the troops that France and the U.K. would contribute to such an army . . . Spain's contribution (up to 1,000,000 men) would, he added, depend upon United States willingness to arm and equip the Spanish expeditionary force. He also indicated that this contribution would be made only if General Eisenhower were the supreme European commander." Chargé Jones passed this report to the Department "with some reserve" since the source "may have over-stated the substantive parts of the interview" in order to enhance his own importance or for the purpose of quickening American interest in some sort of early bilateral military arrangement with Spain. (752.55/1-1151)

retary of State, outlines the political reasons which militate against such action at this time. Although there has been a noticeable change of attitude in Western Europe toward Spain, U.S. sponsorship at this time of Spanish membership in the NAT would be premature and would endanger our fundamental policy objectives in Western Europe. Nevertheless, there are many steps which can and should be taken now. We can demonstrate to our allies, and particularly to the British and French, that preparation of Spain for the part it can play militarily and strategically will be complementary to our joint defense plans for Western Europe and that Spain's contribution can be made to the effective deterrent power of the West rather than to a line of defense behind the Pyrenees. The United States and to a lesser extent some of our allies, are now in a position to increase the military value of Spain in a manner which will contribute to the development of strength in the Western European, Mediterranean and North Atlantic areas.

CONCLUSIONS

7. The immediate objectives of United States policy toward Spain should be:

a. To develop the military potentialities of Spain's strategic geographic position for the common defense of the NAT area. All action in this regard should be guided by the political considerations set forth in NSC 72/1.

b. To concentrate planning on the use of Spain for the common defense, not for the defense of the Iberian Peninsula. U.S. officials should emphasize in all discussions that the primary role envisaged for Spain is in support of the common policy of defending, not liberating Western Europe.

c. To approach the Spanish Government, when plans are completed, in order to acquire such facilities as bases for long-range bomber and fighter operations and behind-the-lines staging areas. We should similarly complete plans and approach the Spanish Government for bases for naval operations.

d. To permit the sale of military equipment to Spain. All action in this regard should be guided by the principle that the NAT countries have priority for our aid and for matériel under the NAT, MDAP, and ERP. We should release from the Defense Department through the CAA, either direct to the Spaniards or through the U.S. air lines operating in Spain, as much as possible of the air navigational aids and other electronic equipment which the Spanish Government requested last June during the renegotiation of the Civil Air Agreement.

e. The following should also be provided for in the field of military and naval cooperation:

(1) completion of surveys concerning the military requirements and capabilities of Spain;

(2) provision for mutual interchange of information;

(3) consultation regarding Spanish defense plans;

(4) technical advice in problems of Spanish military and naval production and supplies;

(5) consultation and technical advice concerning the improvement of Spanish ports, roads, railroads, telecommunications and airfields.

f. Relations with Spanish officials, inherent in the foregoing recommendations, should be carried out through the Embassy in Madrid and the offices of the service Attachés without special missions or emissaries.

g. To assist the Spaniards to improve their relations with the NAT nations in order to obtain a cooperative attitude toward the objectives of the NAT.

h. This policy should be discussed with the British and French Governments for the purpose of informing them of our decision and, if possible, of agreeing on a common policy; if and when the latter is achieved, the NAT Council of Deputies should be informed and an effort made to establish a common NAT policy along these lines.

8. The ultimate objective of United States policy toward Spain should be:

a. To obtain Spanish participation in the NAT. While this is not politically practicable at this time, we should prepare the way for discussions with our NAT allies, particularly with the British and French, to achieve this objective.

b. To reach agreement within the NAT on Spanish participation, and thereafter to initiate discussions with the Spanish Government. Contribution of Spanish troops to the integrated Defense forces should be presented as a necessary step to Spanish admission to the NAT and as a basis for the establishment of military assistance under the MDAP.

No. 354

752.5/1-2351: Telegram

The Ambassador in Portugal (MacVeagh) to the Secretary of State [1]

SECRET LISBON, January 23, 1951—10 p.m.

275. Following is my reply to Deptel 247, [2] January 18, originally relayed here by mistake as for information only.

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[1] Repeated to London, Paris, Madrid, Rome, Brussels, and The Hague.

[2] Telegram 247 requested various Embassies in Europe to estimate and comment upon "current popular and official attitude" regarding some form of Spanish affiliation with NATO, or Spanish participation in an integrated Western defense force, or "full bilateral mil cooperation between US and Spain outside NAT." (752.00/1-1851)

1. Though traditional dislike of Spain is still strong this country, both Portuguese Government and great majority of public would welcome her inclusion in NATO with enthusiasm and relief. Feeling is widespread that Portugal's own membership is anomalous, and her strategic position weak so long as major portion of peninsula is excluded. Official view publicly expressed by Salazar August 10 (see mytel 50 [3] of same date) "Peninsular collaboration is basic for Atlantic solidarity. The geographic frontier of Portugal is the Pyrenees." Press consistently following Prime Minister's cue, and popular opinion clearly in accord.

2. If full membership not immediately possible, association on same basis as Greece and Turkey [4] would be warmly accepted as encouraging step in right direction. In private conversation Foreign Minister has actually suggested this alternative. Hope would be, however, for regular membership eventually as providing fuller guarantees of effective cooperation.

3. Spain participation in integrated defense forces is regarded as chief aim to be secured under either 1. or 2.

4. Military cooperation on bilateral basis between US and Spain outside of NATO would be accepted here with less satisfaction than either of above two alternatives but would still be a popular move failing wider integration.

General Eisenhower's flying visit, following his appointment as NATO commander, has increased the urgency which the Portuguese feel attaches to this whole subject. [5]

MACVEAGH

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[3] Not printed.

[4] In September 1950, the United States initiated and strongly supported action which enabled Greece and Turkey to become associated with the appropriate phases of the planning work of the North Atlantic Treaty Organization concerned with the defense of the Mediterranean area. For documentation on this subject, see *Foreign Relations*, 1950, vol. III, pp. 1 ff.

[5] Portuguese interest in some sort of Spanish participation in the Western defense system was reemphasized to General Eisenhower by Foreign Minister Dr. Paulo Cunha during the course of a conversation at Lisbon on January 17, reported in telegram 3105 from Rome, January 18. For text, see vol. III, Part 1, p. 432.

No. 355

752.00/1-2451: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State [1]

SECRET LONDON, January 24, 1951—6 p.m.

4094. Conversations within past few days with member British Cabinet, Foreign Office official and Denis Healey, Secretary of International Department of Labor Party gave indication that to date possibility of association of Spain with defense of Western Europe as outlined in four points of Deptel 3437 [2] had been given little if any official consideration. In every case care was exercised not to raise subject directly in order to avoid arousing speculation or concern re US intentions.

On general subject of relations with Spain, Healey stated Labor Party still influenced by "principle". He indicated widespread opposition within Party to closer association with Franco regime persists. He expressed hope, if subject of Spanish contribution to Western defense were broached, that what he termed "mistakes made in connection with German rearmament" would be avoided. To that end, he said first step should be to ascertain what Spain would be willing to do. It was his opinion that there would be opposition within ranks of Labor Party which could probably be lessened by presentation of idea and would vary in degree depending on form of Spanish contribution.

Foreign Office officials in Western Department if they have given thought to subject, did not reveal that fact in conversation. They stated that in near future, they would be considering instruction to be given British Ambassador before his departure for Madrid, but as he is not expected in London until early February, thinking on this subject in tentative stage. One official expressed concern that new Ambassador would be going to Spain empty handed, worse even, because coal shipments to Spain as to other Continental countries have had to be reduced. British Embassy Washington was stated to be in touch with Department in hope that before departure of Ambassadors, there could be exchange of views on matter of instructions, etc.

Following comments on four possibilities mentioned in Deptel 3437 are Embassy's deductions based on overall evaluation:

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[1] Repeated to Madrid, Paris, Rome, Brussels, The Hague, and Lisbon.

[2] Not printed.

1. As UK adherence to NAT was submitted to Parliament vote on inclusion of Spain might also be considered desirable. Present Labor Government with majority of only seven would be reluctant to ask House for approval (see Embdes 3324, January 17 [3]) as there is good reason to believe considerable number would vote against such a proposal. Government could expect majority only with Conservative support. This would place government in extremely awkward situation which it would undoubtedly seek to avoid.

2. Spanish association with NAT on basis similar to Greece and Turkey would probably not require vote in House but government would want to explore attitude of Labor back-benchers before committing UK in order to preclude precipitating revolt by pursuing policy unacceptable to leftwing.

3. Same observations as given in 2 above apply to Spanish participation in integrated forces.

4. Full bilateral military cooperation between US and Spain outside NAT was suggested by January 20 *Economist* as possibly best approach to associating Spain with defense of West. (Embdes 3409, January 21 [3]) Nevertheless die-hard opponents of Franco in Labor Party would probably regard such a move as indication that US was determined to bring Spain into western organizations whether other countries approved or not in this quarter there would undoubtedly be resentment of "unilateral US action".

In delicately balanced political situation prevailing in UK since last election, it is the possible division among government supporters on question of associating Spain with defense of West which makes it extremely difficult to estimate how far government would attempt to go. Conservatives have long been advocating closer relations with Spain and government could probably persuade some of its own supporters to accept some carefully prepared and presented measure of association of Spain with western defense. Difficulty lies with those members of Labor Party, considerable number of whom are MP's who believe Franco Spain is morally, politically and militarily greater liability than asset and who could not be counted on to support government. Also fact should not be overlooked that some Cabinet members themselves including Attlee and Bevin have records, dating back to civil war, of outspoken opposition to Franco which would make it difficult for them to sponsor closer association with his regime.

Special internal political situation described above has not been affected by appreciation urgency increased defense efforts and Eisenhower's trip. [4]

GIFFORD

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[3] Not printed.

[4] For documentation on General Eisenhower's January 1951 trip to Europe, see vol. III, Part 1, pp. 392 ff.

No. 356

752.00/1-2551: Telegram

The Chargé in France (Bonsal) to the Secretary of State [1]

SECRET PARIS, January 25, 1951—4 p.m.

4532. Department pass Ottawa. Deptel 3437. January 18 to London, repeated Paris 3791, Madrid 435. [2]

1. Popular and hence official attitude on Spanish question raised in reftel must be examined in terms of gradual evolution from strongly anti-Franco position of large majority non-Communist elements here. Sympathies Third Republic largely engaged on side Spanish Republic. Early relations with victorious Franco identified with Petain who was first Ambassador. Nazis, who helped put Franco in power, occupied France for four years. Franco's frustrated yearning toward French Africa no secret there. France never until this year restored regular diplomatic relations with Spain, fiction of "delegations" being maintained. France, alone among western countries, actually suspended commercial relations with Spain for about a year during postwar period.

2. There does exist in France a slow trend toward acceptance of Spain as a necessary contributor to European defense. This trend is in general more in direction tacit acquiescence than open acknowledgement. There are however, Gaullist elements and certain Rightists who increasingly favor Spain's accession to full membership in NATO. Recent visit to Spain of 40 French deputies would have been inconceivable 2 years ago or even a year ago. Also, with French rearmament, military sentiment favoring Spanish contribution of troops and bases is becoming increasingly influential.

3. On other hand, most of National Assembly deputies were elected in 1946 on platforms which included strong anti-Franco pronouncements. Franco issue still has electoral appeal since even latter's friends do not venture to claim any marked evolution in regime. This is important as France is currently entering pre-electoral political atmosphere. Virtually entire industrial labor force of France, whether Communist or not regards Franco as symbol of Fascism and of forces from which France was liberated in 1944. Candidates in labor constituencies who take pro-Franco stand will strengthen Communist voter appeal.

4. As has been reported, recent government decision to send Ambassador to Madrid put severe strain on governing coalition. Only

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[1] Repeated to London, Ottawa for MacArthur, Madrid, Rome, Brussels, The Hague, and Lisbon.

[2] Not printed.

fact other countries doing same within framework modification but not cancellation UN resolution of 1946 condemning Franco regime made Socialists follow decision. They will not go further at this time. Nor would substantial proportion, probably majority of MRP deputies if now forced to take a position vote for formal association with Spain. Bidault, whose prestige extends well beyond his party, recently expressed privately to American Congressman his strong opposition to Spain's inclusion in NAT. (He did however, indicate that some formula such as "co-belligerent status" might eventually become acceptable.) Large proportion of French writers, artists and intelligentsia would cast their not inconsiderable political influence against association Franco Spain.

5. On balance, however, Embassy believes trend is gradually developing toward acceptance some positive role for Spain in European defense. Raising issue at this time and particularly prior to French elections would, we believe, arrest and probably reverse this trend. Same result similar to but going further than what took place in connection with German rearmament might be expected. Practical value of Spanish contribution could after all not be considered in same class as that of Germany and therefore historic-ideological considerations would be less apt to be sacrificed to defense requirements than in case of Germany. Embassy would advise strongly against any action from outside France which would precipitate renewed debate on Spanish problem at this time.

6. Emphasis by some US elements on Spanish role in defense plans has been interpreted here as evidence French being written off and final defense barrier being created at Pyrenees. Progress of French rearmament and our own massive contribution thereto as well as creation integrated European defense force will increasingly counteract this sort of reaction to US interest in Spain, but situation must still be reckoned with.

7. In conclusion therefore we believe there are serious and perhaps controlling political and public opinion impediments here against proposals: (a) Spanish membership in NAT; (b) Spanish association with NAT on basis similar to Greece and Turkey; or (c) Spanish participation in integrated defense forces. As for possibility of bilateral military cooperation with US and Spain outside NAT, considerations set forth in immediately preceding paragraph also argue against undue speed, especially if such cooperation could result in near future in division of still limited availabilities of military supplies from other NAT powers to Spain. It would result in some press criticism, other than Communist, notably from anti-Communist Left whose support for US policy objectives is most important and least secure, but some Leftwing criticism is of course inevitable in this matter, and under Point IV disagreement should

in any event not impair internal French unity, nor should it materially affect French attitudes toward European defense.

BONSAL

No. 357

S/S-NSC files, lot 63D351, NSC 72

Memorandum by the Secretary of Defense (Marshall) to the Executive Secretary of the National Security Council (Lay) [1]

TOP SECRET WASHINGTON, January 29, 1951.

[NSC 72/3]

Subject: United States Policy Toward Spain

I am forwarding herewith for the information of the Members of the National Security Council the views of the Joint Chiefs of Staff with respect to NSC 72/2,[2] subject as above.

The Joint Chiefs of Staff are convinced that, in the face of the well-known objectives of the Kremlin and the ever increasing military capabilities of the USSR, lack of military collaboration between the signatory nations of NATO and Spain is adversely affecting not only the security position of Europe but also that of the United States.

The Joint Chiefs of Staff, from the security point of view which they believe should be overriding, recommend that the United States policy toward Spain be as follows:

a. That the United States now propose the acceptance of Spain as a member of NATO; and

b. Regardless of whether or not Spain soon becomes a member of NATO, the United States propose to NATO that authority be given for the military agencies of NATO to establish military association with Spain, and the necessary political arrangements be made at the earliest possible moment for United States military planners to enter into conversations with Spanish military planners.

In NSC 72/2 the Department of State takes the position that United States sponsorship at this time of Spanish membership in NATO would endanger our fundamental policy objectives in Western Europe. The fact is, however, our security interests require, as a minimum, early military association between NATO and Spain, immediate military association in the planning field between the United States and Spain, and provision of military assistance by

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[1] Attached to the source text was a cover sheet which indicated that the memorandum by Marshall with its two enclosures was being circulated to the National Security Council as NSC 72/3.

[2] Document 353.

the United States to Spain. Timing is a very important consideration today and for this reason I think our Government's attitude toward Spain should reflect more of a sense of urgency in securing our objectives with respect to that country.

With the foregoing considerations in mind, there are proposed in the enclosure certain amendments to NSC 72/2.

G.C. MARSHALL

[Enclosure]

Memorandum by the Chairman of the Joint Chiefs of Staff (Bradley) to the Secretary of Defense (Marshall)

TOP SECRET WASHINGTON, 23 January 1951.

Subject: United States Policy Toward Spain.

1. In response to the request contained in the memorandum from your office, dated 18 January 1951, the Joint Chiefs of Staff have formulated the following views on NSC 72/2, a report by the Department of State on "United States Policy Toward Spain".

2. The Joint Chiefs of Staff are fully in accord with the ultimate objective of United States policy toward Spain as set forth in paragraph 8 of the subject paper.

3. The Joint Chiefs of Staff feel that, from the military point of view, definite, dynamic, and far-reaching measures are urgently required if the military power of Spain is to be available in time for the defense of Western Europe.

4. The Joint Chiefs of Staff are convinced that, in the face of the well-known objectives of the Kremlin and the ever increasing military capabilities of the USSR, lack of military collaboration between the signatory nations of North Atlantic Treaty Organization (NATO) and Spain is adversely affecting not only the security position of Europe but also that of the United States. In view of the worsening world situation the Joint Chiefs of Staff believe that the time has come for the United States to give the military considerations, with respect to Spain, greater weight.

5. The Joint Chiefs of Staff agree with the thought expressed in subparagraph 7-b of the conclusions to NSC 72/2 in that the true defense of Spain is not at the line of the Pyrenees. On the other hand, the idea of planning to use Spain for the common defense of Europe without collaboration with Spanish military planners is completely unrealistic; in this connection it should be noted that such collaboration is not now permitted.

6. To prepare, without Spanish participation, completed plans for the use of Spain for common defense, thereafter approaching the Spanish Government in connection therewith, as set forth in subparagraph 7–c, is unsound, from the military point of view. Such plans could not possibly be developed effectively without adequate information from and complete collaboration with Spanish military planners.

7. The recommendation contained in subparagraph 7–d, that Spain be permitted to buy military equipment from the United States, would appear to be merely an empty gesture inasmuch as Spain does not have sufficient foreign exchange to purchase needed equipment even if the United States equipment could be made available. Furthermore, Spanish reaction to such a proposal would in all probability be unfavorable in view of the fact that all European NATO members are now being furnished United States equipment without reimbursement under the Military Defense Assistance Program (MDAP).

8. The Joint Chiefs of Staff are fully in accord with the measures set forth in subparagraph 7–e, but would point out that these are not sufficiently inclusive for United States military planning needs. In their opinion Service Attachés in Madrid could not be used for the consultations recommended with regard to Spanish defense plans or in any respect with the integration of Spanish defense plans with United States military plans. The Joint Chiefs of Staff believe that the functions and normal terms of reference of the Service Attachés are such that they would not be able to provide all the information and technical advice which is suggested by the Department of State. In any event, coordination of Spanish defense plans with NATO defense plans can only be accomplished effectively by agencies of NATO establishing military associations with Spain. In addition, the Joint Chiefs of Staff desire coordination, at the earliest practicable date, of Spanish defense plans with United States military plans. To this end they recommend conversations between United States and Spanish military planners.

9. It would be most advantageous, from the military point of view, if the armed forces of Spain could provide effective elements now toward the defense of Western Europe. The Joint Chiefs of Staff feel that instead of discussing an immediate policy toward Spain as outlined in paragraph 7 of the subject paper with the British and French Governments, the United States should, in the first instance, propose the acceptance of Spain as a member of NATO. In this connection, they would point out that although unanimous consent must be obtained in NATO before Spain can become a member, this consent will never be given unless the United States presses for the acceptance of Spain.

10. In view of all the foregoing, the Joint Chiefs of Staff, from the security point of view which they believe should be overriding, recommend that United States policy toward Spain be as follows:

a. That the United States now propose the acceptance of Spain as a member of NATO; and

b. Regardless of whether or not Spain soon becomes a member of NATO, the United States propose to NATO that authority be given for the military agencies of NATO to establish military association with Spain, and the necessary political arrangements be made at the earliest possible moment for United States military planners to enter into conversations with Spanish military planners.

For the Joint Chiefs of Staff:

OMAR N. BRADLEY

[Subenclosure]

Memorandum Prepared in the Department of Defense

TOP SECRET [WASHINGTON, January ?, 1951.]

RECOMMENDED AMENDMENTS TO THE CONCLUSIONS OF NSC 72/2

CONCLUSIONS

7. The immediate objectives of United States policy toward Spain should be:

a. To develop *urgently* the military potentialities of Spain's strategic geographic position for the common defense of the NAT area. All action in this regard should be ~~guided~~ *tempered* by ~~the~~ political considerations ~~set forth in NSC 72/1.~~

b. To concentrate planning on the use of Spain for the common defense, not for the defense of the Iberian Peninsula. U.S. officials should emphasize in all discussions that the primary role envisaged for Spain is in support of the common policy of defending, not liberating Western Europe.

c. To approach the Spanish Government, ~~when plans are completed,~~ in order to acquire such facilities as bases for long-range bomber and fighter operations and behind-the-lines staging areas. We should similarly ~~complete plans and~~ approach the Spanish Government for bases for naval operations.

d. ~~To permit the sale of~~ *provide* military ~~equipment~~ *assistance* to Spain in so far as this is consistent with the objectives set forth in par. 8 below. All action in this regard should be guided by the principle that the NAT countries have priority for our aid and for matériel under the NAT, MDAP, and ERP. We should release from the Defense Department through the CAA, either direct to the Spaniards or through the U.S. air lines operating in Spain, as much as possible of the air navigational aids and other electronic

equipment which the Spanish Government requested last June during the renegotiation of the Civil Air Agreement.

e. The following should also be provided for in the field of military and naval cooperation:

(1) completion of surveys concerning the military requirements and capabilities of Spain;
(2) provision for mutual interchange of information;
(3) consultation regarding Spanish defense plans;
(4) technical advice in problems of Spanish military and naval production and supplies;
(5) consultation and technical advice concerning the improvement of Spanish ports, roads, railroads, telecommunications and airfields.

f. Relations with Spanish officials, inherent in the foregoing recommendations, should be carried out ~~through the Embassy in Madrid and the offices of the service Attachés without special missions or emissaries~~ *in close coordination between officials of the Department of State and Defense.*

g. To assist the Spaniards to improve their relations with the NAT nations in order to obtain a cooperative attitude toward the objectives of the NAT.

h. This policy should be discussed with the British and French Governments for the purpose of informing them of our decision and, if possible, of agreeing on a common policy; if and when the latter is achieved, the NAT Council of Deputies should be informed and an effort made to establish a common NAT policy along these lines.

8. The ultimate objective of United States policy toward Spain should be:

a. To obtain *early* Spanish participation in the NAT. While this is not politically practicable at this time, we should prepare the way for discussions with our NAT allies, particularly with the British and French, to achieve this objective.

b. To reach agreement within the NAT on Spanish participation, and thereafter to initiate discussions with the Spanish Government. ~~Contribution of Spanish troops to the integrated Defense forces should be presented as a necessary step to Spanish admission to the NAT and as a basis for the establishment of military assistance under the MDAP.~~ Any MDAP assistance given to Spain should be given under such terms and conditions as to advance and not retard Spanish participation in NATO. The Spanish Government would doubtless prefer a purely bilateral relation with the United States under which Spain received United States aid and the United States received certain rights from Spain without involving Spain in any obligations for the defense of Western Europe. This result should be avoided and aid should be given only if we are satisfied that by so doing we are advancing Spain closer to participation in NATO.

No. 358

S/S-NSC files, lot 63D351, NSC 72

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Secretary of State [1]

TOP SECRET [WASHINGTON,] January 30, 1951.

Subject: NSC Discussion of U.S. Policy toward Spain, February 1

NSC 72/3, [2] the Defense Department's comment on our paper NSC 72/2, [3] is in three sections: a letter from Secretary Marshall with two enclosures, a memorandum by the JCS and recommended amendments to the conclusions of NSC 72/2.

Secretary Marshall's letter, after reviewing the JCS paper, states: "The fact is, however, our security interests require, as a minimum, early military association between NATO and Spain, immediate military association in the planning field between the United States and Spain, and provision of military assistance by the United States to Spain. Timing is a very important consideration today and for this reason I think our Government's attitude toward Spain should reflect more of a sense of urgency in securing our objectives with respect to that country."

"With the foregoing considerations in mind, there are proposed in the enclosure certain amendments to NSC 72/2."

The JCS memorandum recommends from the security point of view, which they believe should be overriding, that the U.S., instead of discussing immediate policy toward Spain with the British and French Governments, should: (1) propose the acceptance of Spain as a member of NATO; and (2) "Regardless of whether or not Spain soon becomes a member of NATO, the United States propose to NATO that authority be given for the military agencies of NATO to establish military association with Spain, and the necessary political arrangements be made at the earliest possible moment for United States military planners to enter into conversations with Spanish military planners." We accept the main thesis of the JCS as an ultimate objective, namely, that Spain should be a full NAT partner. Disagreement arises over the method and form to be employed. We believe tactics will determine whether the objective is attainable and our information concerning the current political situation in Western Europe counsels against the methods and forms proposed by the JCS. Forcing this issue immediately in the NAT, as the JCS suggest, might arrest or reverse the trend in

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[1] Drafted by Dunham of the Office of Western European Affairs.

[2] *Supra*.

[3] Document 353.

France toward eventual acceptance of Spain as a part of the Western European defense system; the reaction, in the coming elections, would also force Socialist votes to the Communists. In England the trend is likewise toward ultimate acceptance of Spain, but in the present delicate political balance premature action would only lead to British opposition which could be avoided if careful advance preparations are made. Certainly a proposal now, that the NAT admit Spain to membership, would be rejected and might well postpone indefinitely further consideration.

However, the second enclosure to Secretary Marshall's letter, which was apparently prepared after consultation with him, accepts our paper with only a few changes. These were discussed, and agreement reached, at the NSC Senior Staff meeting this afternoon. It is recommended that the Department's position on these amendments be as follows:

(1) Paragraph 7a: accept the changes.

(2) Paragraph 7c: accept the deletions.

(3) The change recommended in paragraph 7d contradicts paragraph 8b. This subject was thoroughly discussed and it was agreed that military assistance should not be given to Spain without Spanish commitments under NAT as indicated in paragraph 8. Agreement therefore was reached on the following as the first sentence: "Provide military assistance to Spain insofar as this is consistent with paragraph 8." It is recommended that this substitute language be accepted.

In the event that this change is not finally accepted by the JCS or the Defense Department, we believe we should hold firmly to the position that military assistance, as distinct from the sale of military equipment, should follow, not precede, Spain's agreement to contribute to the integrated defense forces. We should not place ourselves in the position of asking for Spanish favor when it is still within our capability to make it appear desirable to the Spaniards to join us. By agreeing to the Defense Department's proposed amendment we would be giving away an important bargaining weapon and shifting the emphasis of our entire position.

(4) Paragraph 7f: We were unwilling to accept this change initially since we believe that the early arrival of a military mission, which this paragraph might otherwise immediately permit, would also shift the emphasis of our position. Precipitate action by the U.S. could only encourage the Spaniards to raise the price of their cooperation. However, during the discussion at the Senior Staff meeting the JCS and Defense Department representatives stated that the paragraph as redrafted left such details to agreement between the two Departments. The amendment was accepted with that understanding.

(5) Paragraph 8a: accept addition.

No. 359

S/S–NSC files, lot 63D351, NSC 72

Statement of Policy by the National Security Council [1]

TOP SECRET
NSC 72/4

WASHINGTON, February 1, 1951.

SPAIN

1. The immediate objectives of United States policy toward Spain should be:

a. To develop urgently the military potentialities of Spain's strategic geographic position for the common defense of the NAT area. All action in this regard should be tempered by political considerations.

b. To concentrate planning on the use of Spain for the common defense, not for the defense of the Iberian Peninsula. U.S. officials should emphasize in all discussions that the primary role envisaged for Spain is in support of the common policy of defending, not liberating Western Europe.

c. To approach the Spanish Government in order to acquire such facilities as bases for long-range bomber and fighter operations and behind-the-lines staging areas. We should similarly approach the Spanish Government for bases for naval operations.

d. To provide military assistance to Spain insofar as this is consistent with the objectives set forth in paragraph 2 below. All action in this regard should be guided by the principle that the NAT countries have priority for our aid and for matériel under the NAT, MDAP, and ERP. We should release from the Defense Department through the CAA, either direct to the Spaniards or through the U.S. air lines operating in Spain, as much as possible of the air navigational aids and other electronic equipment which the Spanish Government requested last June during the renegotiation of the Civil Air Agreement.

e. The following should also be provided for in the field of military and naval cooperation.

(1) completion of surveys concerning the military requirements and capabilities of Spain;

(2) provision for mutual interchange of information;

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[1] Attached to the source text were a cover sheet and a note by Acting Executive Secretary of the NSC Gleason which indicated that this statement of policy was being transmitted to President Truman as a report of the National Security Council and that the Council had considered NSC 72/2 (Document 353), the Department of State draft, and NSC 72/3 (Document 357), the Defense amendments, at its 82d meeting on February 1. The resulting paper, NSC 72/4, printed below, was adopted by the Council at this meeting and forwarded to President Truman who approved it on February 2 and directed "its implementation by all appropriate executive departments and agencies of the U.S. Government under the coordination of the Secretary of State." (S/S–NSC files, lot 63D351, NSC 72)

(3) consultation regarding Spanish defense plans;

(4) technical advice on problems of Spanish military and naval production and supplies;

(5) consultation and technical advice concerning the improvement of Spanish ports, roads, railroads, telecommunications and airfields.

f. Relations with Spanish officials, inherent in the foregoing recommendations, should be carried out in close coordination between officials of the Departments of State and Defense.

g. To assist the Spaniards to improve their relations with the NAT nations in order to obtain a cooperative attitude toward the objectives of the NAT.

h. This policy should be discussed with the British and French Governments for the purpose of informing them of our decision and, if possible, of agreeing on a common policy; if and when the latter is achieved, the NAT Council of Deputies should be informed and an effort made to establish a common NAT policy along these lines.

2. The ultimate objective of United States policy toward Spain should be:

a. To obtain early Spanish participation in the NAT. While this is not politically practicable at this time, we should prepare the way for discussions with our NAT allies, particularly with the British and French, to achieve this objective.

b. To reach agreement within the NAT on Spanish participation, and thereafter to initiate discussions with the Spanish Government. Any MDAP assistance given to Spain should be given under such terms and conditions as to advance and not retard Spanish participation in NATO. The Spanish Government would doubtless prefer a purely bilateral relation with the United States under which Spain received United States aid and the United States received certain rights from Spain without involving Spain in any obligations for the defense of Western Europe. This result should be avoided and aid should be given only if we are satisfied that by so doing we are advancing Spain closer to participation in NATO.

No. 360

Editorial Note

Spanish inclusion in the Western defense community, including NATO, was discussed at the Western European Ambassadors Conference at Frankfurt on February 5, 1951. For documentation, see Documents 74 ff.

No. 361

611.52/2-651

The Secretary of State to the Ambassador-Designate to Spain (Griffis), at Washington [1]

SECRET [WASHINGTON,] February 6, 1951.

SIR: The policy of the United States toward Spain is now under active study, particularly in the military field. I would like to inform you, prior to your departure for Madrid, of the developments which have taken place since I outlined our Spanish policy in my letter to Senator Connally of January 18, 1950. [2] When the present study has been completed you will receive further information and instructions from the Department.

We fully realize that the gravity of the international situation emphasizes the desirability of including Spain in the common defense effort as soon as possible because of the contributions which Spain could make. At the same time, this is a matter which must be considered in the context of our over-all objectives and our relations with other European states. It obviously would not be to our interest to take hasty action with regard to Spain which would have an adverse effect on the development of the common defense under the North Atlantic Treaty. However, there has been a noticeable change of attitude in Western Europe with regard to Spain within the last year or two and we expect to move ahead on the integration of Spain into our joint security efforts just as fast as we can. In general, the criterion we will follow will be whether a given action at a given time will have the effect of strengthening or weakening our combined abilities to resist aggression.

One of our first objectives is to promote the inclusion of Spain in the Western European community. Besides the obvious advantages that would accrue to Spain from normal relations with its neighbors, progress along these lines will clear the way for Spanish participation in the joint defense effort. There are a number of ways in which you can contribute to progress toward this objective.

In discussing this and other matters with Spanish officials, you may indicate our disposition to work out mutual problems in a spirit of cooperation based upon the recognition of our common interest as members of the Western World. At the same time it is

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[1] Drafted by Dunham, Biegel, and Millar of the Office of Western European Affairs. Stanton Griffis, former Ambassador to Argentina, was formally confirmed by the Senate as Ambassador to Spain on February 1. He departed for Madrid in mid-month, arriving in Spain on February 20. (Telegram 3657 to London, February 5, file 123 Griffis)

[2] See *Foreign Relations*, 1950, vol. III, p. 1549.

important that the Spanish people, many of whom are not in sympathy with the Government, should not lose their overwhelmingly favorable disposition toward the United States or their belief that their interest and welfare are associated with this country. Particular attention should be paid to this matter and such steps and precautions as are possible should be taken to retain the good will of the Spanish people for the United States in the event that more cordial official relations should adversely affect their present attitude.

First, you may point out to responsible Spanish officials that it is to Spain's interest to establish friendly relations with its Western European neighbors; and that attacks by Spanish officials and editorial invective by the Spanish radio and press, which are under government control, do not serve this interest. These attacks, centering upon the British and French and to a lesser extent upon the other Western European democracies, are also directed at important organizations of which these countries and we are members, such as the NATO, OEEC and the UN. A more positive Spanish approach in this regard would be one of the prerequisites to the development of normal relations between Spain and its neighbors.

Second, you may point out that attempts to drive a wedge between the United States on the one hand and its principal European allies—the United Kingdom and France—are likewise ill-advised and unproductive. It is understandable that the Spanish Government should wish to emphasize Spain's military value, but its recent and repeated allegations regarding the unreliability of France as an ally and the duplicity of the Labor Government in Great Britain are not likely either to weaken United States support for the NATO, promote a bilateral defense agreement with the United States or contribute to the defensive strength of Western Europe.

Third, it may be possible to work toward our objective through the ranking diplomatic representatives of Western European countries stationed in Madrid, by emphasizing the desirability of hastening Spain's entry into the Western European community and by enlisting their support in eliminating provocations of the Spanish Government by officials of their own countries.

The USIE program should help to promote this objective. I hope that you will consider ways this program can best be used to reduce the extreme isolation of Spain and dispel the ignorance and misconception of the rest of the world which is characteristic of most Spaniards. This ignorance and misconception of the world beyond the Pyrenees, attributable to a large extent to the design of the Spanish Government, is a barrier to Spain's integration into Western Europe since it can be exploited to provide a considerable amount of popular support for official policies of hostility toward certain countries. The USIE can also play an extremely important role, not only by explaining and gaining support for United States

policies and institutions, but also by educating Spaniards about techniques and institutions which could assist in the economic reconstruction of Spain and in the long-term development of a stable, democratic government.

With regard to economic relations, we desire to facilitate normal business and trade between the United States and Spain. My letter to Senator Connally emphasized that the development of mutually beneficial economic relations also depends on the cooperation of the Spanish Government. We have observed, in this connection, that the present critical situation in the Spanish dollar balance of payments seems to derive from difficulties, many of which could be substantially rectified by action of the Spanish Government. The current provision of Export-Import Bank assistance to Spain may serve to improve considerably the Spanish dollar position, and may thereby improve our bargaining position in further negotiations with the Spanish Government on economic matters. Among the subjects which you may discuss with Spanish officials in this regard are:

1. The present limitation on the participation of foreign investors in any Spanish enterprise to 25 percent of the capitalization of the enterprise, and restrictions on foreign management in corporations established in Spain. Sixty United States corporations have reported investments in Spain, and most of these companies are precluded by existing legislation from expanding their interests. The only significant increase in United States equity interests in Spain since the war was in October 1948, when Caltex received 24 percent of the stock in the new Cartagena oil refinery in return for a loan of $8 million.

2. The inability of United States companies to convert local currency earnings. Such blocked peseta accounts presently aggregate the equivalent of $10–15 million and are increasing at the rate of about $3–4 million a year. The likelihood that the Spanish Government will permit the transfer of these balances is directly related to improvements in Spain's dollar position. However, the Spanish Government generally has denied dollar exchange even to those United States companies whose exports generate dollar resources for Spain. Unlike many other countries with investments in Spain, the United States does not engage in bilateral trade and payments agreements, and is unable to use this device to negotiate the transfer of blocked earnings.

In addition to the above matters, the Department has formally maintained to the Spanish Government, during the past two years, that the treatment which has been accorded to the subsidiaries of the Barcelona Traction, Light and Power Company (a Canadian corporation in which United States citizens hold small equity interests) has generally tended to lessen confidence in the security of foreign investments in Spain. The United States position in this case has been based on the general principle of encouraging foreign investment. The actual facts surrounding this corporation's invest-

ments in Spain are extremely complex and are presently the subject of an officially sponsored inquiry by Spain, Canada and the United Kingdom.

3. The obstacles to trade created by the complex and often arbitrarily administered export-import controls and multiple exchange rate system, and by the unfair treatment occasionally accorded existing United States corporations with regard to imports of raw materials used in their business.

In addition, the total network of economic controls in Spain, the uncertainties arising out of such matters as changing exchange rates and trade controls, and the extensive interference of governmental authorities, including the syndicates, into ordinary business transactions, serve generally to discourage United States enterprises from investing or even doing business in Spain.

The multiple exchange rate system, adopted by the Spanish Government in 1948, continues to price many Spanish products out of the United States market. The multiple rate procedure and such devices as the retention of variable percentages of foreign exchange by exporters have made trading with Spain uncertain and complex. The multiple exchange rate system was partially responsible for retaliatory action by the United States in the application of a countervailing duty on Spanish almond exports. The recent removal of this duty which had been continually protested during its two-year duration by the Spanish authorities, should improve our position in further discussions of our economic relations with Spain.

You may also raise the question of a new Treaty of Friendship, Commerce and Navigation which was offered by the United States in April, 1949, to assist in the development of improved and mutually beneficial economic relations between the two countries. To date the Spanish Government has shown little interest in this proposal, although they have stated that it is under study.

You may also wish to explain to the Spanish authorities the type of aid afforded by the Technical Assistance Program. While this Program has been mentioned on a number of occasions to Spanish representatives, there has been no intensive discussion of it nor has it been explained in detail with specific reference to Spanish needs. A survey team to study the Spanish economy and public administration and to make recommendations regarding the sectors of the economy most urgently in need of attention could furnish the information needed to lay out a sound program for the economic recovery of Spain. Such a mission, similar to the one sent to Brazil in 1948, could very likely be arranged upon receipt of an appropriate request from the Spanish Government. If this type of survey were not desired, you might find interest expressed by the Spanish Gov-

ernment in technical assistance of one or more specific types, such as industrial, agricultural or in the field of public health.

The elimination of the external pressure exerted by the United Nations resolutions, [3] together with a manifestation of our willingness to afford material aid and the feeling of interdependence arising from the deterioration of the world situation may reduce the intransigence of the Spanish Government toward more liberal policies and practices, particularly of an economic nature. If the needs of the mass of the Spanish people could be met more satisfactorily, the Spanish Government would probably feel even greater confidence in its own security. It might thus be encouraged eventually to take steps toward more liberal political policies, not unmindful that changes away from its present totalitarian appearance would be likely to improve Spain's standing with its neighbors and facilitate its acceptance by them as a participant in Western European enterprises. As the opportunity arises, I hope that you will encourage and assist the Spanish Government to make progress in that direction, both to hasten Spain's full restoration to the Western European community and to promote sound political and economic conditions in Spain as the most effective long-term safeguards against the development of Communism.

Very truly yours,

DEAN ACHESON

[3] The reference is to the revocation by the U.N. General Assembly during its Fifth Session in 1950 of a 1946 resolution calling upon member states to withdraw their Ambassadors from Madrid and banning Spanish membership in international agencies created by or related to the U.N. Organization.

No. 362

611.52/2-951

The Secretary of State to the Ambassador-Designate to Spain (Griffis), at Madrid [1]

TOP SECRET [WASHINGTON,] February 9, 1951.
No. 73

SIR: The President determined, on February 1, [2] that the United States should seek closer relations with Spain in order to develop the potentialities of Spain's strategic position and to bring Spain into the NATO. The President also determined that "Any MDAP

[1] Drafted by Dunham and Byington of the Office of Western European Affairs; cleared by Bonbright, Matthews, and Ambassador Griffis.

[2] See footnote 1, Document 359.

assistance given to Spain should be given under such terms and conditions as to advance and not retard Spanish participation in NATO. The Spanish Government would doubtless prefer a purely bilateral relation with the United States under which Spain received United States aid and the United States received certain rights from Spain without involving Spain in any obligations to the defense of Western Europe. This result should be avoided and aid should be given only if we are satisfied that by so doing we are advancing Spain closer to participation in NATO." [3]

In the past General Franco, in his public statements and interviews, has frequently derided the objectives of the UN and NATO and the efforts of the United States and its allies to provide effectively for the defense of Western Europe. In view of the President's decision, it is important that, at the earliest possible moment, you discuss with General Franco generally and as a first step the desire of the United States to develop closer relations with Spain, as well as closer relations between Spain and its Western European neighbors. You may assure him that we will at the same time work with the Governments of the other Western European nations, particularly Great Britain and France, toward this end. It is important to keep before him the fact that our policy in Western Europe is based on the NATO and the common defense of that area and that our relationship with Spain must therefore be in line with this objective. In the meantime, if his Government is in agreement with this basic principle, we are prepared to explore with them the military assistance which could be extended by the United States to Spain. The extent and nature of this assistance will be directly related to Spain's role in the common defense against Communist aggression.

Your conversations with General Franco will form the basis for detailed instructions to you in regard to the further steps to be taken.

Very truly yours,

DEAN ACHESON

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[3] Verbatim restatement of a portion of paragraph 2b of NSC 72/4, Document 359.

No. 363

611.52/2-1251

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington)

SECRET [WASHINGTON,] February 12, 1951.

Subject: U.S. Policy Towards Spain

Participants: Mr. Burrows, Counselor, British Embassy
Mr. Byington, WE

I referred to Mr. Burrows' previous call at the Department with regard to Spain and to his suggestion that the Foreign Office would appreciate any information we might provide with regard to new developments in U.S. policy towards Spain upon the resumption of ambassadorial relations. [1] I said that the Government, after considerable study, had reached the conclusion that the military and strategic potentialities of Spain could not be ignored in organizing the defense of Western Europe. It was desirable that Spain's military potentialities and strategic position should be utilized within and integrated into NATO plans for the defense of Western Europe. We were fully aware of Spain's policy of isolation and of the difficulties inherent in attaining such an objective, but the critical world situation as it had developed over the past year has brought the military necessity of utilizing Spain very much to the fore.

As a preliminary step towards the above objective we had instructed our Ambassador to Madrid to explore with the Spanish Government its willingness to cooperate in the common defense against communist aggression. Our Ambassador was to explain that we desired closer relations with Spain and that we were ready to assist in any way that might be possible in helping to develop closer relations between Spain and the other nations of the NATO.

Mr. Burrows inquired what kind of commitment our Ambassador could make with regard to acceptability of Spain into the NATO. I pointed out that obviously Mr. Griffis could make no commitment whatsoever in this regard and that his approach to the Spanish Government was entirely informal and exploratory in order to clarify just what was the attitude of the Spanish Government towards participation in the common defense. I emphasized that it was the U.S. policy to keep Great Britain and France fully informed of our moves with regard to Spain and in reply to his question of when

[1] No record of this conversation has been found in Department of State files.

Ambassador Griffis would approach the Spanish Government, I said that his instructions had not yet reached him.

I said that the Department would appreciate receiving the views of the Foreign Office in this matter and that we hoped very much they would be disposed to work with us towards the development of closer relations between Spain and the NATO. Mr. Burrows said that he foresaw a good deal of difficulty in front of the British Government in considering this problem. He expressed great appreciation for our having given him our views at this early stage and promised to let us know the reaction of the Foreign Office. [2]

[2] On February 13, Byington invited Jean Daridan and Christian de Margerie, Counselors of the French Embassy, to the Department where he informed them of the newly-emerging U.S. policy toward Spain in language nearly identical to that used in the interview with British Counselor Burrows. In reply, "Mr. Daridan said that he did not feel there would be a very warm welcome for this policy from the French Government" and de Margerie "emphasized the hostility of the French Socialist Party towards the Franco Government and pointed out that the Minister of Defense, Mr. Jules Moch, was a member of that party." (Memorandum of conversation by Byington, 611.52/2-1351)

No. 364

611.52/2-1751

Memorandum of Conversation, by William B. Dunham of the Office of Western European Affairs

SECRET [WASHINGTON,] February 17, 1951.

Subject: U.S. Policy toward Spain

Participants: Mr. Jamieson, British Embassy
Mr. Dunham, WE

Mr. Jamieson referred to Mr. Burrows' discussion with Mr. Byington of this subject on February 12. [1] He said they had now received the comments of the Foreign Office on the action which we proposed to take. Before giving me these views, he read me portions of the telegram which they had sent to the Foreign Office following Mr. Burrows' talk with Mr. Byington. This seemed to check accurately in its essential parts with Mr. Byington's record of this conversation. Mr. Jamieson then read me the telegram from the Foreign Office which raised the following five points: (1) the Foreign Office fears that the Spanish Government would publicize the approach which the US proposes to make and they foresee unfortunate consequences from such publicity; (2) the Foreign Office be-

[1] A memorandum of this conversation is printed *supra*.

lieves the US approach to Franco is out of harmony with the understanding between the two governments to act in concert; (3) Spain's relationship with the NATO is a matter involving all the NAT countries and should be discussed by them before anything is done with the Spaniards. The Foreign Office noted that the US had developed slightly divergent views with respect to Turkey's relationship to the NATO and it seemed to them that in the case of Spain also the proposed US action indicated that the US is developing a divergent line in regard to Spain; (4) the Foreign Office believes the timing of our proposed approach is unfortunate since raising the Spanish issue now would add this contentious issue to other difficulties already before the NAT members, such as national rearmament, German rearmament and German participation in the integrated defense forces; and (5) the Foreign Office suggests that a thorough discussion of Spain be undertaken in the Standing Group in order to determine the military objectives with respect to Spain prior to any approach to Franco.

I thanked Mr. Jamieson for this information and told him that I would report the Foreign Office's views at once.

No. 365

752.5/3-151

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington)

SECRET [WASHINGTON,] March 1, 1951.

Subject: Spain

Participants: Mr. Burrows, Counselor, British Embassy
Mr. Byington—WE
Mr. Dunham—WE

I explained to Mr. Burrows that the Department had given great attention to the views which his Government had expressed here through the Embassy and also in London through our Embassy there. [1] It had been decided that before any substantive consideration was given to future developments in our relations with Spain we would want the fullest consultation with the United Kingdom. In the meantime out of deference to their views, the Department had decided to instruct our Ambassador that in his conversations with the Spanish Government that he should at no time make any reference to even the possibility of an association between Spain

[1] See telegram 4094, Document 355, and the memorandum of conversation, *supra*.

and the NATO nor should he discuss Spain's relations with the other countries in the NATO. The Ambassador's conversations will therefore be strictly limited to a very general exploration of the Spanish attitude and should not create any change in the present situation other than the possibility of providing our Government with further information concerning Spain. We will of course continue to consult with the British and French before deciding on any future course of action.

Mr. Burrows replied that following our previous conversations on the subject the British Ambassador had spoken to the Secretary of State [2] pointing out the desirability of consultations between the United States and the United Kingdom and France before any approach to the Spanish Government. The Secretary agreed and undertook that Ambassador Griffis would have no discussions on this matter with the Spanish Government until there had been prior consultations with the United Kingdom. The British Ambassador had so reported to the Foreign Office. It seemed to Mr. Burrows that the step I had outlined was contrary to this understanding. He felt there should first be military discussions in the standing group [3] before Ambassador Griffis took any initiative.

I suggested we hold the question in suspense until I could communicate with him further.

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[2] No record of Ambassador Franks' conversation with Secretary Acheson on this topic has been found in Department of State files. According to Franks' telegram 259 to London, February 23, however, the conversation took place on February 22. He had stressed the need for joint consultations before the United States opened talks with Spain. (Public Record Office, F0371/96181/S1071/12)

[3] Standing Group, NATO Military Committee, comprised of representatives of the Joint Chiefs of Staff of France, Great Britain, and the United States.

No. 366

752.5-MAP/3-151

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Deputy Under Secretary of State (Matthews)

SECRET [WASHINGTON,] March 1, 1951.

You will see from the attached memorandum of conversation that Mr. Byington this morning spoke to Mr. Burrows along the

line of our proposed telegram on Spain, which you saw last evening. [1]

You will note from the second paragraph that there is apparently a difference of opinion as to what precisely transpired in the Secretary's conversation with Sir Oliver Franks. According to the British, the Secretary gave an undertaking that Ambassador Griffis would have no discussions on this matter with the Spanish Government until there had been prior consultations with the U.K. The Embassy interpreted this to mean that military discussions in the Standing Group should precede *any* conversation between the Ambassador and Franco. We, on the other hand, have gone on the assumption that what the Secretary meant was that there would be no substantive discussions with the Spaniards without prior consultation with the French and British. Following along this line, we felt that for this purpose the discussion this morning with Mr. Burrows constituted consultation, and that, having had this talk with him, we would be free to let Ambassador Griffis do his sounding out along very general lines.

Since you were present at the Secretary's talk with the Ambassador, do you think we are on sound ground? (There can be no doubt but that the British interpreted the talk the other way because Burrows showed Mr. Byington the telegram which Sir Oliver sent.)

There seems to be the basis for real disagreement here, and you may want to consider whether it would be wise to have another word with Sir Oliver before he gets away tomorrow so that we can be sure that we understand each other.

[1] The memorandum under reference is printed *supra*; the telegram is 578 to Madrid, see Document 368.

No. 367

752.5-MAP/3-251

Memorandum for the Files by the Deputy Assistant Secretary of State for European Affairs (Bonbright)

SECRET [WASHINGTON,] March 2, 1951.

Mr. Matthews spoke to me this morning about my memorandum to him of March 1 on Spain. He said that at no time in the conversation between the Secretary and Sir Oliver Franks was there any mention of the Standing Group. It was also his view that in agreeing to consultations with the UK and French Governments,

[1] *Supra.*

the Secretary had in mind the type of conversations carried on by Mr. Byington with Mr. Burrows of the British Embassy and Messrs. Daridan and de Margerie of the French Embassy a few days ago. At that time Mr. Byington went over with them the points of the telegraphic instruction which we proposed sending to Ambassador Griffis. [2] The instruction envisages having the Ambassador sound out the Spanish Government in the near future regarding its basic attitude with regard to Western defense. It is envisaged that the Ambassador would not discuss with the Spanish Government, at this stage or prior to further consultation with the French and British Governments, any detailed military questions. He was also to avoid any reference to NATO, and he was not to say anything about our willingness to use our good offices in an endeavor to improve relations between Spain and France and the UK.

Mr. Matthews felt that it was safe and proper for us to proceed on the above basis.

J[AMES] C.H.B[ONBRIGHT]

[2] Transmitted in telegram 578, *infra*.

No. 368

611.52/3-651: Telegram

The Acting Secretary of State (Webb) to the Embassy in Spain [1]

SECRET WASHINGTON, March 6, 1951—7 p.m.

578. Nature Brit and Fr replies in resp conversations reported Deptel 4286 Paris Feb 16, London 3796, Madrid 511, [2] indicates needless apprehension re US position and lack of clear understanding distinction between immediate and ultimate objectives US policy. As explained reftel and infotel Feb 6 1 a. m. [2] US policy toward Spain has been modified because of changed world situation and necessity utilize Spain's military potentialities and strategic position. Our immediate objective is to seek acquisition and utilization air and naval bases in Spain in interest common def against Commie aggression, and in due course to develop their military potentialities.

Utilization Spain militarily can be based on either bilateral or multilateral concept. Spans have always indicated desire for purely

[1] Drafted by Dunham; cleared by Perkins, Matthews, and Bonbright; and repeated to London for Achilles and to Paris for MacArthur.

[2] Not printed.

bilateral cooperation with US and have derided ability NATO provide effective defense. Any arrangements we may work out with Spain in coming months will naturally be negotiated bilaterally but we strongly desire avoid concept special US-Span relationship because: 1) it wld tend confirm fears Western Eur we intend base real line of def on Pyrenees; 2) we do not believe any bilateral arrangement we cld avoid def of Spain, as opposed def Western Eur from becoming major Span contention. Furthermore since US policy Western Eur based on coop in common def, we believe it is essential our whole approach question using Spain militarily shld be based on bringing Spain closer to coop in common def with our allies. We believe Span thinking shld be oriented in this direction and away from more narrow concept of def of Spain which wld be strengthened by purely bilateral US-Span approach to def problems.

Ultimately therefore some relationship must be established between Spain and NATO, preferably Span participation, but this subject will definitely not be raised at this time. We realize question Span relationship to NATO matter concern to all NAT countries, particularly to Brit and Fr. As we indicated in our conversations with Brit and Fr Embs here that is future problem which we intend work out in close consultation with them.

We realize immediate objective use Spain in common def also matter concern particularly to Brit and Fr and we intend continue consult with them on this question. However, before productive conversations possible, further info needed re Span intentions coop in common def against Commie aggression. While we shall therefore proceed through Amb Griffis to undertake exploratory soundings with Spans, we intend consult further with Brit and Fr, when his reports recd, before determining future course of action. Def now giving urgent study our military desiderata in Spain. Later we can consult with Brit and Fr and discuss desirability raising subj in Standing Group.

We will speak to Brit and Fr Embs along foregoing lines and suggest you similarly seek to reassure FonOff.

Madrid for Amb:

In view comments Embs London and Paris and MacArthur and in order provide time work out this problem with Brit and Fr, suggest without prejudice such further modifications as you may wish propose (urtel 718 Feb 23 [3]): 1) you avoid in your discussions with

[3] Ambassador Griffis reported in telegram 718 that he would propose no modifications to his existing instructions until such time as he had presented his credentials to Franco. Griffis added that he planned to raise no policy questions, but would "let Franco do the talking." (611.52/2-2351)

Franco any ref to ultimate Span participation NATO; and 2) you modify your approach to avoid assurances re US willingness assist development closer relations between Spain and Western Eur nations. We recognize Franco's present attitude re NATO and common def undoubtedly due in part realization difficulties impeding Spain's acceptance NATO due Western Eur polit objections to Spain. He can obviously be expected indicate impracticality working toward participation common def due relations between Western Eur nations and Spain. In order encourage Span coop on multilateral rather than bilateral basis we must consequently be prepared at some time to indicate our willingness contribute in appropriate fashion to development closer relations between Spain and its Western Eur neighbors. However, we agree with Embs London and Paris assurances on this point shld be avoided, at least for present. If subject arises believe you can cover it by indicating this is matter involving many countries and Spain is not without responsibility in efforts improve relations. Emphasis shld be kept on ascertaining role Franco envisages for Spain in common def against Commie aggression, having in mind US policy this regard multilateral and not bilateral. [4]

WEBB

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[4] In a subsequent telegram, Acting Secretary of State Webb informed the Embassies in the United Kingdom and France that the Department had given the "fullest consideration" to the British view that further discussions should take place with them before taking up negotiations with Spain and to the French view that no negotiations with Spain take place at all. However, Webb continued, it was the view of the Department that preliminary discussions with Franco be initiated in fulfillment of the "basic policy decisions" embodied in NSC 72/4 (Document 359). The Department of State was "well aware from representations made here that both Brit and Fr will be displeased that we have not postponed even further our instrs to Amb Griffis to sound out Span Govt." Nonetheless, the Department of State was convinced that further discussions with the British and French as this time would lead to stalemate and therefore the United States was going ahead with its plans for preliminary conversations with Franco. (Telegram 4040 to London, repeated to Paris, 752.5/3-651) That same day, the Director of the Office of Western European Affairs, Homer Byington, reviewed the latest developments in Spanish-American relations with Counselor Burrows of the British Embassy. On March 7, the Officer in Charge of French-Iberian Affairs, Elim O'Shaughnessy, met for a similar conversation with Christian de Margerie, the Counselor of the French Embassy. Memoranda of conversations with Burrows and de Margerie are in file 752.00/3-1551.

No. 369

752.5/3-851: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State [1]

TOP SECRET LONDON, March 8, 1951—6 p.m.

4823. Young, head of Western Department to whom substance of first four paragraphs of Deptel 4039 [2] was communicated March 7 stated that in spite of assurances that Ambassador Griffis conversation would be exploratory HMG regarded such a step with grave concern. Young continued that unilateral approach by US, however secret, would have serious consequences; (1) It was regarded as practically certain that Spaniards would soon let it be known that US had made unilateral approach, and (2) our united front towards Spain would be destroyed. He added matter was such "top level" one that it was likely Foreign Secretary or Minister of State would wish to discuss with Ambassador.

My concern is that because of absorption with immediate objective of acquiring bases et cetera as set forth in section 1 of NSC 72/4 [3] we risk prejudicing achievement of ultimate objective of obtaining Spanish participation in common defense of west and in NAT as described in Section 2. Furthermore no matter how tentative approach may be fact that US proceeds unilaterally in face of unresolved objections of British and French does in effect constitute "substantive action".

Effects of such unilateral action both on Spaniards and on our allies may well make achievement ultimate objectives more difficult. First, in case of Spaniards once they know US attaches sufficient importance to acquiring bases in Spain to proceed alone without UK and French support they will be in strong position to resist change from bilateral to multilateral relationship. Unilateral approach if it achieves nothing else will demonstrate conclusively to the feasibility of bilateral arrangements and to that extent will increase immeasurably difficulty of obtaining contribution from Spain to common defense of west Europe and of persuading Spain of advantages of entering into closer co-operation in common defense with our allies. If we become involved in bilateral arrangements which paragraph 2 of Deptel 4039 indicates we intend negotiating with Spain in coming months what inducement will we have to persuade Spaniards to shift from bilateral basis which they

[1] Repeated to Madrid and Paris.
[2] Same as telegram 578, *supra*.
[3] Document 359.

prefer to multilateral basis which they deride. Second, if we proceed unilaterally now without agreement with our allies especially France and UK we are undoubtedly making it most difficult to win their voluntary co-operation in achieving our long-term aim of establishment of some relationship between Spain and NATO. Once rift in our united front is publicly known it will be increasingly difficult for British Government and presumably French Government also to reverse position and support our policy.

In view of reasons for changing US policy, our conviction of necessity of utilization Spain's military potentialities and of our intention to consult later with British and French before determining future course of action (Deptel 4039 March 6) I believe we would gain much more by full consultation now with French and British, particularly on military aspects of problem either in standing group or elsewhere, prior to any unilateral approach by us than we could possibly lose by postponement of approach to Franco, made without concurrence of France and UK.

GIFFORD

No. 370

752.5/3-1151: Telegram

The Ambassador in France (Bruce) to the Secretary of State [1]

SECRET PARIS, March 11, 1951—2 p.m.

5309. In conversation this morning with Boegner, chief FonOff southern European division, in which we went over ground covered in Deptels 4625 [2] and 4626 [3] it developed that FonOff is now resigned to fact Ambassador Griffis is going ahead on basis of his now modified instructions to sound out France on Spanish Government's attitude toward making contribution to western defense. FonOff understands, however, that it and UK Government will be given full account of results Griffis-Franco conversations and will be consulted before any further step is undertaken. FonOff hopes Griffis will impress on Franco necessity for no public disclosures concerning our approach but is of course skeptical of his success and in considerable trepidation as to political repercussions in France and other western European countries which would result from such disclosures if, as French fear, they occur.

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[1] Repeated to London for Spofford and to Madrid.
[2] Same as telegram 578, Document 368.
[3] Not printed.

Boegner most earnestly emphasized that if attitude of French Government toward Spanish defense contribution must now necessarily be politically negative, France's common frontier with Spain and her joint position in Morocco with Spain make her vitally interested in every development affecting that country. For instance, in event it were decided that US would negotiate for air and naval bases in Spain, France would expect to participate not only in such political decision but also would expect to be kept duly informed and to be consulted on technical aspects of negotiations such as choice of sites. Same would be even more true if we went beyond stage of military bases and were to give consideration to furnishing military equipment to Spanish armed forces with view to their eventual participation in western defense.

BRUCE

No. 371

740.5/3-1551: Telegram

The Ambassador in Spain (Griffis) to the Secretary of State

TOP SECRET PRIORITY MADRID, March 15, 1951—2 p.m.

803. Following substance more than two-hour discussion Franco last evening. Arrived Pardo fifteen minutes early received instantly. Opened conversation on question religious freedom for non-Catholics in Spain. Franco insisted every freedom existed but upon my calling attention many reported incidents oppression, he promised he would tomorrow instruct Cabinet and through them all civil governors that interpretation Spanish law re non-Catholic religious services must be greatly broadened including full right of any non-Catholic services which did not disturb the peace, specifically permitting open funeral services for non-Catholic dead (see Embtel 784, March 15 for transmittal to President [1]).

I then stated that in light world turmoil US interested in viewpoint Spanish Government concerning defense against communism, specifically Western Europe. I did not speak again for approximately 40 minutes. Franco detailed his viewpoint beginning with failure of Republic following Communist infiltration; story of revolution and his bitterness against England and France who he stated had heaped insults on Spain consistently for fifteen years. Stated his belief that while England had guts and might fight, France utterly unreliable and quite possible that should US continue arming Eu-

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[1] Not printed. For documentation on U.S. efforts in behalf of Spanish Protestants, see Documents 405 ff.

ropean countries might find both England, France taking position armed neutrality in any open war between US and Russia. Nevertheless under any conceivable conditions Spain would defend its country. Franco stated that while England had entered into defensive treaty with US against Russia, she had not denounced existing treaty of friendship, offense and defense, with Russia. Referred with feeling to Churchill's letter to him 1944 in which Churchill states "His Majesty's Government policy firmly based on Anglo-Soviet treaty of 1942 and considers permanent Anglo-Russian collaboration as essential". Referred to British Under Secretary's recent speech in Commons as example quarantine and segregation Spain from European association of nations. His comments at all times were without expression of emotion very much along lines of historian lecture.

Upon pause, I inquired if his theories of defense included sending Spanish troops to fight on common front north of Pyrenees. Franco himself then plunged into question of NATO, temporarily avoiding direct answer. Stated realized thoroughly our commitments under NATO, that unanimous invitation necessary for new member which he doubted would be forthcoming for Spain. At no time did I discuss this aspect of situation or comment on relations Spain, UK, France. Later conversation developed, largely at Franco's leading, that he felt under present world conditions US could best aid by making direct agreement with Portugal and Spain. Stated Portuguese had kept Spain informed re their participation NATO and Spain had encouraged them but stated their participation more or less nominal as Spain geographically stood between them and France. Franco stated unequivocally that upon proper military aid from US he would be willing enter into agreement with US on exactly same terms as North Atlantic Pact obligations. This would tie Spain to all commitments existing in NATO including those involving opening any hostilities against any NATO country by USSR.

In answer my statement that I assumed that under any conditions Spain would have no objection to establishment bases by US in Spain, he asked if I meant air, military and naval, which I answered affirmatively whereupon he stated that any location, property or otherwise, in all of Spain or the Spanish possessions were at the immediate disposal of US so long as they remained mutual bases and so long as they continued to be Spanish following any war.

Conversation returned to his suggestion unilateral pacts US, Portugal and Spain, and I stated that we felt, despite his wishes, it was extremely unfortunate that there was not a completely united front of all western European nations against Russia. We thought that it was psychologically a bad move to have any unilateral ar-

rangement with Spain which might imply lack of union of all democratic (*sic*) powers; or that at any point there could be final defense back of the Pyrenees, or that Russian troops could ever reach Pyrenees. Conversation on general defense then reached point where Franco stated unequivocally that, under any and all circumstances or under any or no pacts, if Spain were properly armed it would send troops north of the Pyrenees to fight on common front.

I urged on Franco absolute necessity of secrecy in connection any negotiations carried on between the American Ambassador and/or the US with Spain in matter of arming or pacts. He did not seem to like this, but apparently has agreed since my call was known to Spanish newspapermen but no word of it was published in morning papers. Franco stated as his opinion that within one hour after Whitehall and the Quai d'Orsay heard that we were in active negotiations to arm Spain they would express their desire to have Spain in NATO. On this I did not comment.

I referred to fact that substantially all South American Ambassadors and the Portuguese Ambassador, whom I had seen, had urged Spanish aid by US in world defense and told him that in view our close relationship with all Latin America we were greatly impressed by their representations. I referred to fact that US was not completely united in its feeling of desire for close coordination with Spain just as Spain was not united in its approval of US renewal diplomatic relationship taken here as strengthening Franco regime. He expressed complete understanding this situation.

It is my opinion following this interview that if properly handled by US and/or if representations with England and France by US succeed and proper approach made by them and upon aid to Spain in proportion to aid given other countries, Franco will guide Spanish policy along whatever lines we wish. However, time is of the essence and it may be later than we think.

Department will please transmit London, Paris all or such parts this telegram as desired.

GRIFFIS

No. 372

611.52/3-1651

Memorandum by the Deputy Under Secretary of State (Matthews) to the Assistant to the Secretary of Defense for International Security Affairs (Burns) [1]

TOP SECRET [WASHINGTON,] March 16, 1951.

DEAR GENERAL BURNS: You will recall the reactions of the British and French Governments to the recent United States decisions regarding Spain contained in the Memoranda of Conversation sent to you by Mr. Bonbright on February 20 and 21, 1951 and most recently by Mr. Perkins, [2] as well as in telegrams from London and Paris.

In light of the problem created by the British and French attitudes, I would appreciate receiving your Department's views as to the desirability and usefulness of initiating exploratory discussions with representatives of the British and French military regarding the relation of Spain to the defense of Western Europe. Such conversations, which might include an exchange of views regarding the strategic value of Spain and Spain's potential role in the joint defense, should increase understanding of the United States position.

If you consider that military talks would be advisable I would be glad to receive your recommendations as to the appropriate channels. Our two Departments could then agree jointly as to the date, nature and content of the proposed discussions. [3]

Sincerely yours,

H. FREEMAN MATTHEWS

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[1] Drafted by Millar and cleared with Bonbright, Perkins, and Knight.

[2] Throughout 1951, General Burns was kept informed of the conversations between the Department of State and the British and French Embassies regarding the question of Spanish participation in the Western European defense establishment.

[3] Burns replied on March 23 that, since the Secretary of Defense had asked the JCS for recommendations on implementing NSC 72/4, he believed further consideration of the question should be deferred pending their reply. (Department of Defense files)

No. 373

611.52/3-1651

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington)

TOP SECRET [WASHINGTON,] March 16, 1951.

Subject: Attitude of Spanish Government Regarding Common Defense of Western Europe Against Aggression

Participants: Mr. Burrows—Counselor of British Embassy
Mr. Byington—WE

I informed Mr. Burrows that the Department had this morning received Ambassador Griffis' report on his conversation on March 14 with General Franco. [1] In reply to an inquiry about the views of the Spanish Government regarding the defense of Western Europe against Communism, General Franco had made the following remarks:

1. Spain would defend itself under any conditions.
2. He referred to the British Under Secretary's recent speech in Commons as an example of the way Spain is being isolated from the Western European community and also expressed doubt as to the attitude of France.
3. Bringing up the question of the NATO, Franco said he realized thoroughly our commitments under NATO and he realized that a unanimous invitation was necessary before a new member could be admitted into the North Atlantic Pact. He doubted whether such an invitation would be extended to Spain. (The Ambassador did not at any time make a comment on this aspect of the situation or on the relations between Spain and England and France.)
4. Under present world conditions the best solution would be for a direct agreement between the United States, Spain and Portugal.
5. If the United States furnished adequate military assistance, Spain would be willing to enter into an agreement with the United States with exactly the same obligations as those contained in the NAT. Spain would thus be bound to all the NAT commitments including those relating to the initiation of hostilities against any NATO member by the USSR.
6. Under any and all circumstances, regardless of whether or not there were any pacts, if Spain were properly armed it would send troops to fight north of the Pyrenees.

Mr. Burrows expressed his appreciation for our having informed the Embassy so immediately after the Ambassador's initial conversation with the Spanish Chief of State. He inquired whether there had been time for any reaction on the part of the Department to the rather startling position taken by General Franco. I pointed

[1] See telegram 803, Document 371.

out that the message had only just arrived, and the Department was now studying it. He asked what action the Department now proposed. I said that the Department would want to have the views of the British Government on this development. It would also inform the French and would want the French reaction. It seemed to me that before we could go any further it was also necessary to have more precise information from our military authorities as to just what our objectives should now be in the light of the Spanish attitude. I said that the Department's present thinking was along the lines of military conversations with them and the French and that I would keep him informed. I emphasized that there had been no change in the Department's view regarding the necessity of developing Spain's military potentialities and strategic position for the common defense of Western Europe.

Mr. Burrows then asked me whether there had been some reference to the subject of air and naval bases in Spain during our Ambassador's conversation. I pointed out that this first conversation of Ambassador Griffis was designed to sound out Spanish basic policy with regard to the overall question of European defense. It seemed to me that it would be difficult for our Ambassador to discuss any concrete details on the military aspects of the question until we know more precisely the views of our military leaders and only after the basic framework for our relationship with Spain had been established. The first conversation was designed with that objective in view.

I also took the occasion to mention to Mr. Burrows that it was common knowledge among the press that Ambassador Griffis had called on General Franco, and that there would undoubtedly be a rash of speculative stories about what had transpired. I wanted him to know that the Department did not intend to initiate any publicity in this matter, and there would be no information about it given out to the press either formally or informally.

No. 374

752.00/3-2651 Telegram

The Secretary of State to the Embassy in Portugal [1]

SECRET PRIORITY NIACT WASHINGTON, March 26, 1951—7 p.m.

350. ReDeptel 344, rptd London 4317, Madrid 638, Mar 23. [2] Portuguese Ambassador today made direct inquiries whether Span Govt had given assurances to Griffis as reported in press. He particularly inquired whether Span Govt had indicated desire for direct agreement between US, Spain and Portugal as best method Span participation in defense West Europe.

Dept emphasized that views given Griffis by Span Govt were confidential and entirely preliminary and informal. Any further developments wld have to be preceded here by most intensive study within Govt and that what had taken place so far cld not be considered more than clarification of attitude of Span Govt toward general problem of defense of West Europe. Portuguese Ambassador was given substance of Depcirtel 555 [3] in most general manner and it was specifically pointed out that this Govt had not raised any question of Portuguese participation in any agreement and it did not consider that the mention of Portugal by Span Govt cld be taken as other than conjecture by Span Govt. In reply to Portuguese Ambassador's direct question whether Griffis had spoken with Franco, he was informed in affirmative. Portuguese Ambassador said that his Govt wld undoubtedly have received advice from Madrid re this conversation but it wld be most helpful for it to have confirmation in order to evaluate what Span Govt may have told them.

In view above development Dept leaves it to your discretion whether to take initiative in providing info Depcirtel 555 to Portuguese Govt. [4]

ACHESON

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[1] Drafted by Byington and repeated to London for Spofford and to Madrid.

[2] In telegram 344, Embassy officials in Portugal were urged not to volunteer any information to Portuguese officials regarding the recent conversation between Ambassador Griffis and Generalissimo Franco at Madrid in view of the "involved situation" then existing with the British and French over the issue of Spanish inclusion in the Western defense system. (752.00/3-2151)

[3] Circular telegram 555 repeated verbatim the summary of the Griffis-Franco talks given to British Counselor Burrows on March 16; see the memorandum of conversation, *supra*. (752.00/3-1951)

[4] On March 27 and again on April 9, Ambassador MacVeagh reported that the Portuguese Foreign Minister and the Secretary General had made personal inquiries concerning the Griffis-Franco talks. Ambassador MacVeagh had responded, in accordance with this telegram, by giving the Foreign Minister the information con-

Continued

No. 375

752.00/4-2451

The Ambassador in Spain (Griffis) to the Secretary of State

SECRET MADRID, April 24, 1951.

MY DEAR MR. SECRETARY: May I impose on your busy life to give you a brief summary of the situation in Spain as I see it after slightly over two months of work and study here:

(1) Generalissimo Franco, despite the Barcelona strike, [1] appears to be firmly in control of the country.

(2) The only development, outside of his death or serious illness, which could possibly change this control would be economic, that is, the actual lack of foodstuffs or the further spiralling of prices which would raise the cost of the basic elements of life, such as wheat and rice, beyond the true purchasing power of the masses, and thus throw the Army into the scale against him.

(3) The only existing power which would have any possibility of upsetting Franco would be the Army whose leaders are afraid or unwilling to upset the military dictatorship of which they are a part. There is always the possibility of a move by Franco to restore the Monarchy to save himself.

(4) Franco is hard-working, has a thorough knowledge of the Spanish political and economic situations, and is more astute politically than any of his opposition.

(5) There is substantially no freedom in Spain either political or economic as affecting labor: nor is there freedom of press or assembly. There is evidence of recent improvement in the freedom of the almost microscopic number of Spanish Protestants, Jews and Moslems as to the practice of their religions.

(6) The Spanish Army, Air Force and Navy are and would be substantially impotent in modern warfare under their present conditions of equipment. Any talk of their defending the Pyrenees with their present equipment is absurd.

(7) The great economic danger period for Spain is between this date and next autumn when the flour and rice from the present crop will become available. The crop shows signs of being the best

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tained in circular telegram 555 in the form of an *aide-memoire*. In addition, MacVeagh informed the Department of State that in response to the Foreign Minister's query as to what Portugal "could usefully do to hasten a *rapprochement* between the United States and Spain," he had replied "that in my personal view she would best serve all concerned by taking no initiative along this line." (Telegram 378, March 27, 752.00/3-2751; despatch 636, April 9, 611.52/4-951)

[1] Throughout the first half of 1951 Spain was faced with a worsening economic crisis centering around rising prices and an inability of workers to buy a satisfactory minimum of basic foodstuffs. In reaction, workers in the Barcelona area engaged in passive work stoppages early in April and some unrest consequently developed among workers and students in other parts of Spain in subsequent weeks and then subsided.

in recent years, but it is not definitely certain that a period of actual national starvation will not develop before it is harvested and processed.

(8) Spain is willing to fight, willing to send troops beyond the Pyrenees, anxious to make a bilateral agreement with the United States if properly armed, and/or would even reluctantly consent to join NATO, despite her old suspicions of England and France, but she must have arms.

(9) As the long-time enemy of everything communistic, neither the Spanish Government nor its people are able to understand the discrimination against them so far as American aid, either economic or military, is concerned.

(10) The American trend in favor of aid to Spain which seemed to be rising when I came here, now seems to us here to have waned or to have been lost in the greater problems of the East and Northern Europe.

(11) Spain is nobody's child.

When I left Washington I had high hopes of a prompt military agreement with the NATO countries in favor of Spain or, failing that, prompt bilateral military assistance to Spain. It is my personal belief that both the British and French Embassies here believe that Spain should be aided, but they become extremely holy about Spain when confronted with their own fears that there will not be enough arms to go around. Both admit that the politicians of England and France are afraid to face the issue pending the probable two national elections.

Surely we must act and act promptly to aid Spain even in a small way, both from a military and an economic point of view. How can we afford to disregard the tremendous possibilities of manpower here which might be made available with the expenditure of a relatively small amount of American money?

Furthermore, we desperately need a military mission here at once, whether or not it is nominated as a mission. The military here have the most fragmentary knowledge of the Spanish topography, transportation routes, defense points, or anything else. We should have at least 50 more officers here studying the possibilities of transportation rehabilitation, airfields, and lines of defense. I assume that I am inhibited from presenting these ideas direct to my old friends in the Pentagon. I deeply hope that I may find in you, or in one of your able nominees, a voice in Washington which would be a crusading voice for these ideas. Here in Spain it is later than you think. If the United States Government wants starvation and a trend towards communism in Spain, they are going to get it very quickly with their present indecision. If they want a militarily impotent Spain, they have it now.

My incorrigible sense of humor in the midst of this tragedy makes me ask your indulgence in closing this letter by quoting a jest that is sweeping the country:

"A Frenchman asked a Spaniard:
'How much time do you think it would take the Russians to arrive at the Rhine?'
'Six days.'
'And at the Pyrenees?'
'Six days.'
'And at Gibraltar?'
'Six weeks.'
'And why the difference?'
'Because of the roads.'"

This is a cry for help for an orphan but able child who, on a very small diet, could be made lusty and strong in the defense of the world.

With high regards,

Sincerely yours,

STANTON GRIFFIS

No. 376

752.00/5–151

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Secretary of State [1]

TOP SECRET [WASHINGTON,] May 14, 1951.

Subject: Policy toward Spain

Attached is a letter from General Marshall [2] containing the Defense Department's recommendation, on implementing NSC 72/4, that Admiral Carney "conduct initial military discussions of an exploratory nature with the Spanish military authorities" as soon as "the requisite political arrangements have been concluded." This directive to Admiral Carney (attached) [3] also, contains a list of US military requirements in Spain—extensive, long-term air and naval base rights.

General Marshall recognizes that proceeding bilaterally risks complications with the British and French and offers "the assistance of this department . . . in your consideration of such placating measures as may be required to satisfy the legitimate interests

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[1] Drafted by Dunham and cleared by Nitze and Matthews.
[2] Dated May 1, not printed.
[3] Not printed.

of our allies." However, he does not favor exploratory discussions with the British and French military regarding the relation of Spain to the defense of Western Europe, as suggested in Mr. Matthews' letter of March 16 to General Burns. Such discussions, he states "would be premature, and further, would delay Admiral Carney's visit to Spain."

This letter indicates a wide divergence of opinion between the State and Defense Departments concerning the tactics to be employed, and emphasizes the need for immediate consultations with the JCS to agree on the successive steps required to achieve the objectives of NSC 72/4.

Further discussions with the British and French are required; this is also the recommendation of our Embassies in London and Paris. As a result of our talks with the British and French pursuant to the provisions of NSC 72/4, both before and following Ambassador Griffis' conversation with General Franco on March 14, we agreed to consult with them before proceeding further. It is our opinion, as stated in Mr. Matthews' letter to General Burns, that discussions with the British and French, at the military level, concerning the strategic value of Spain and Spain's potential role in the joint defense would increase understanding and receptiveness of the US position. The British have also indicated a desire for military discussions and, in view of reports from London, are evidently preparing for them. Therefore if we are not to split completely with them and the French over this issue, and thus endanger our more important NATO relationships, these consultations will be essential.

The attached reply, for your signature,[4] therefore emphasizes that the requisite political arrangements referred to in General Marshall's letter require that further discussions be held with the British and French military authorities before an approach is made to the Spanish Government. It also recommends that representatives of the Department consult with the Joint Chiefs of Staff in order to agree on the tactics and successive steps required to achieve the objectives of NSC 72/4 and the military requirements set forth by the Joint Chiefs of Staff.

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[4] No reply was found attached to the source text; however, a letter dated May 16 from Secretary Acheson to Secretary Marshall along the lines outlined in this paragraph is in file 752.00/5-151.

No. 377

Editorial Note

The subject of Spain was raised several times in the Secretary's daily staff meeting during the spring of 1951. On March 5, Averell Harriman "asked where we went from here on the Spanish question. He said this was one more problem that indicated how important it was to set up some mechanism for reaching agreed US positions rapidly since he did not feel that we could allow questions which concerned NATO to drag on as slowly in the future as we had in the past. He was told that the Spanish question was under serious consideration but we had no immediate answer." On June 4, Policy Planning Staff Director Paul Nitze "said he was disturbed about the lack of clarity in our policy toward Spain. He said he thought that we were unclear as to our political objectives—particularly, as regards to whether or not we would like to see the Franco Regime overthrown. He said that we had no one here now in the Department who has been in Spain recently and who has a first hand knowledge of the political situation there. Mr. Webb asked Mr. Matthews to look into means of getting a survey done by possibly sending someone to Spain on temporary duty and also the possibility of strengthening our Spanish set up here by bringing someone home from the mission in Madrid for duty in the Department." (Secretary's Daily Meetings, lot 58D609, Daily Summaries dated March 5 and June 4, 1951) No evidence has been found in Department of State files to indicate that either the Nitze query or the Webb requests were ever pursued.

No. 378

Editorial Note

On June 7 Under Secretary Webb submitted a report to the National Security Council on United States policy toward Spain. The report consisted of a note by Lay which explained that Webb wished to reorganize NSC 72/4 (Document 359) without substantive change "in order to distinguish more clearly between objectives, guiding considerations and recommended action"; a cover sheet; and a copy of ISAC D-12a (Document 394) and was circulated to the National Security Council as NSC 72/5. On June 19 the Joint Chiefs of Staff submitted certain comments on the proposed revision and on June 21 the NSC Senior Staff suggested further changes. On June 25 Perkins sent a memorandum to Secretary

Acheson indicating that the Department of State had no objections to either set of changes except for a proposed revision of paragraph 1d which would have read:

"If full membership of Spain in NATO would be unacceptably delayed, to conclude alternative mutual security arrangement which would include Spain and which would not prejudice the attainment at the earliest practicable date of Spanish membership in NATO."

Copies of the various documents referred to above are in S/S–NSC files, lot 63D351, NSC 72. For text of the statement of policy as approved by the National Security Council in resolving the various suggested changes, see NSC 72/6, Document 380.

No. 379

752.5/6–1851: Telegram

The Secretary of State to the Embassy in Spain [1]

TOP SECRET WASHINGTON, June 18, 1951—7 p.m.

892. By agreement with JCS, Dept has informed Brit and Fr Embs we are now prepared, as previously agreed, to consult with them re Spain before undertaking addtl direct conversations with Span Govt. [2] These consultations with Brit and Fr will be at mil level within scope of NSC 72/4 for purpose of defining what shld be our common mil objectives re Spain. We shall inform Brit and Fr that US Govt believes in order carry out our NATO responsibilities it will be necessary for us to make bilateral arrangements with Spain to secure base facilities. We recognize there wld appear to be no likelihood at this time of gen agreement admit Spain into NATO.

Brit and Fr will undoubtedly be interested in what *quid pro quo* we will be ready to give Spain in return for mil cooperation. While addtl econ assistance, or mil aid restricted to supply and protection of bases wld appear to be purely US determination within terms of a bilateral negotiated with Spain, we intend to reassure Brit and

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[1] Drafted by Byington and cleared by Perkins. Sent also to London for Spofford and to Paris for MacArthur.

[2] The memoranda of conversation between officers of the Department's Office of Western European Affairs and the French Ambassador and the British Counselor, respectively, on June 15, are in file 752.5/6–1551. Further conversations with British and French officials were held on June 21 and 22, respectively, during which Department officials developed the point that the proposed military facilities in Spain "wld supplement Gibraltar and Port Lyautey." The Department planned to wait a "reasonable time" for British and French responses before proceeding with discussions in Madrid. (Telegram 910 to Madrid, June 23, 752.5/6–2251)

Fr that if Span raise question of mil assistance to Span armed forces generally we shall discuss matter with them and other NATO countries in order properly to relate it to gen strengthening of Eur defense effort.

Talks will be held bilaterally with Gen Twining, Vice Chief, Air Staff, USAF, probably actg as US rep. We are ready to hold first mtg this week. Embs and Dept will be represented at first mtg. Thereafter mil matters will be discussed by mil reps.

ACHESON

No. 380

S/S–NSC files, lot 63D351, NSC 72

Statement of Policy Proposed by the National Security Council [1]

TOP SECRET
NSC 72/6

WASHINGTON, June 27, 1951.

SPAIN

1. The national security objectives of United States policy toward Spain should be:

a. To develop urgently the military potentialities of Spain's strategic geographic position for the common defense of the NAT area.

b. To concentrate planning on the use of Spain for the common defense, not solely for the defense of the Iberian peninsula.

c. To assist the Spaniards to improve their relations with the NAT nations in order to obtain a cooperative attitude toward the objectives of the NAT.

d. To obtain early Spanish participation in NATO. If full membership of Spain in NATO would be unacceptably delayed, to conclude alternative mutual security arrangements which would in-

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[1] Attached to the source text were a cover sheet, indicating that this statement of policy was being circulated as NSC 72/6, and a note of transmission from Acting Executive Secretary Gleason.

The National Security Council at its 95th meeting on June 27, 1951, considered the draft statement of policy contained in NSC 72/5 together with the views of the Joint Chiefs of Staff and the recommendations of the Senior NSC staff contained in their memorandum of June 21. The Council adopted the statement of policy contained in NSC 72/5 subject to the revisions proposed in the Senior NSC Staff memorandum. The revised report was submitted to the President for approval. President Truman approved the revisions on June 28 as NSC 72/6 which then superseded NSC 72/4 as the official statement of policy toward Spain and "all appropriate executive departments and agencies of the U.S. Government" were directed to implement NSC 72/6. (Note by Acting Executive Secretary of the National Security Council Gleason, June 27; memorandum by Executive Secretary of the National Security Council Lay to the National Security Council, June 28; S/S–NSC files: lot 63D351, NSC 72)

clude Spain and which would not prejudice the attainment at the earliest practicable date of Spanish membership in NATO.

2. In seeking these objectives, United States policy should be guided by the following considerations:

a. All action to develop Spain's military potentialities should be tempered by political considerations.

b. United States officials should emphasize in all discussions that the primary role envisaged for Spain is in support of the common policy of defending, not liberating Western Europe.

c. Any assistance provided to Spain should be guided by the principle that the NAT countries have priority for our aid and for matériel under the NAT, MDAP and ERP.

d. Any military or economic assistance given to Spain should be given under such terms and conditions as to advance and not retard Spanish participation in NATO. The Spanish Government would doubtless prefer a purely bilateral relation with the United States under which Spain received United States aid and the United States received certain rights from Spain without involving Spain in any obligations for the defense of Western Europe. This result should be avoided and aid should be given only if we are satisfied that by so doing we are furthering the attainment of our objectives.

3. To achieve these objectives, the United States should:

a. Discuss this policy with the British and French Governments for the purpose of informing them of our decision and, if possible, of agreeing on a common policy; if and when the latter is achieved, the NAT Council of Deputies should be informed and an effort made to establish a common NAT policy along these lines.

b. Approach the Spanish Government in order to acquire such facilities as bases for long-range bomber and fighter operations and behind-the-lines staging areas. We should similarly approach the Spanish Government for bases for naval operations.

c. Provide military assistance and the necessary and appropriate economic assistance to Spain insofar as this is consistent with the objectives set forth in paragraphs 2c and d above, while facilitating the acquisition by the United States and its allies of strategic materials of use in their mobilization efforts.

d. Release from Defense Department through the Civil Aeronautics Administration, either direct to the Spaniards or through the United States air lines operating in Spain, as much as possible of the air navigational aids and other electronic equipment which the Spanish Government requested last June during the renegotiation of the Civil Air Agreement.

e. Provide for the following in the field of military and naval cooperation:

(1) complete surveys concerning the military requirements and capabilities of Spain;

(2) provide for mutual interchange of information;

(3) consult regarding Spanish defense plans;

(4) give technical advice on problems of Spanish military and naval production and supplies;

(5) consult and give technical advice concerning the improvement of Spanish ports, roads, railroads, telecommunications and airfields.

4. Relations with Spanish officials, inherent in the foregoing recommendations, should be carried out in close coordination between officials of the Departments of State and Defense.

No. 381

611.52/6-2851: Despatch

The Ambassador in Spain (Griffis) to the Department of State [1]

SECRET MADRID, June 28, 1951.

No. 1587

Subject: Opposition Reaction to Prospect of Bilateral Military Pact Between United States and Franco Regime

As there are two main groups within the present-day opposition to the Franco regime, there have been two types of reaction, in some respects contradictory, to the prospect of a bilateral military pact between the United States and the Spanish Government. This prospect has recently become more distinct in Spanish minds due to General Bradley's remarks upon his arrival in Paris June 9, 1951, the visit of Air Minister Gallarza to the United States, the Ambassador's speech before the American Chamber of Commerce in Madrid June 16, 1951, and Congressman Gavin's address, released in the Spanish press June 21, 1951, all of which have been highlighted locally as indications of an approaching military accord between Uncle Sam and the Caudillo.

One main group of the Spanish opposition is the C.I.C. (Comite Interior de Coordinacion), combining socialists, anarchists, and monarchists. These are the militant, persevering enemies of the Franco regime, most of whom have fought the latter from its inception. Their reaction to a bilateral military pact between the United States and the existing Spanish Government seems to be: that such a *rapprochement*, although unfortunate, was expected; that it will not alter C.I.C. policy; that the people of Spain have learned how to protest with relative impunity and will not be stopped now; and that the Franco regime, although reenforced by American aid, will fall sooner or later, preferably sooner. Their attitude is fairly well

[1] Drafted by Second Secretary Ellwood M. Rabenold.

characterized by the following quotation from an editorial in *Solidaridad Obrera*, an anarchist organ published in Paris, June 16:

"The able diplomats there (in Washington) and the guileless politicians can decide what they like and can effect injections for the Falangist administration; speculating with international dangers, they can consummate this betrayal of free peoples by a bilateral military pact; but they will not be able to escape the fact that each day the opposition within Spain is more resolved than ever, that the strikes are spreading, and that the whole Falangist structure is sinking. The Spaniards themselves, not the American politicians, are going to decide the destiny of Spain. The latter, with their hypocritical policy and their concessions to an oppressor, were formerly able to slow up, even jeopardize the liberation. Now, no; now, the people have raised their heads and have learned the way . . . , and will not be deterred from reaching the final goal, which is the triumph of independence and of social justice". [2]

There is a certain amount of bravado in this. The C.I.C. is believed to be too intelligent not to realize that American policy in these days does affect the destiny of Spain. Otherwise, how can it explain that there have been no serious strikes or manifestations within the country since the Madrid boycott of May 22, in spite of the prediction of the C.I.C., which has associated itself with these protests, that they would follow each other with increasing frequency and intensity? The fact is that the man designated by the C.I.C. to maintain liaison with the American Embassy, and who has been accustomed to visit the Chancery once a week, has not paid a call since May 28, perhaps revealing in this way a certain degree of discouragement on the part of this element of the Spanish opposition.

On the other hand, there has been no evidence that the two traditional clandestine trade unions, the socialist U.G.T. and the anarchist C.N.T., both represented in the C.I.C., have abandoned their resolution of January 15, 1951 (Embassy despatch 865, January 31, 1951) [3] which said:

(1) The inclusion of Franco Spain directly or indirectly in the North Atlantic Pact or in American plans for rearmament would have serious consequences.
(2) The masses of Spanish workers are resolved not to cooperate with the industrial or military efforts of Spain in the event of war if General Franco continues in control.
(3) The leaders of the anti-communist workers organizations would be unable to prevent the sabotage of any military operations directed by General Franco.

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[2] Ellipsis in the source text.
[3] Not printed.

On the contrary, the head of the socialist U.G.T. in Spain told an Embassy officer June 25, 1951 that both clandestine unions adhered to their resolution of January 15.

The other main segment of the Spanish opposition is composed of men whose hostility to the Franco regime is relatively recent. Most of them—professional men, businessmen, minor government officials, and some Army officers—fought on Franco's side during the Civil War, but have become disillusioned by the way he has consolidated his dictatorship and throttled the political and economic life of the nation through a corrupt and inefficient bureaucracy. Unlike the C.I.C., they are amateurish and inexperienced and tend to split into small groups without clearcut consistent aims. They run hot and cold, being easily encouraged and easily discouraged, and are constantly concerned about personal risks to themselves and their positions. Their reaction to the prospect of a bilateral military pact between the United States and the Franco regime is: that it would greatly strengthen the Franco regime; that it would tend to silence those elements like themselves, the former supporters of Franco, who are the most dangerous to him; that there would be no further protests or manifestations such as have occurred in Spain during the past four months; and that the United States would lose most of its popularity with the Spanish people. This group thinks that United States policy, whether negative or positive, is the determining factor in the Spanish problem, and that the United States can solve this problem by refraining from aiding Franco, thus precipitating his downfall, or it can perpetuate the regime indefinitely through economic and military aid.

As is evident, the reactions of these two principal opposition groups differ on several important points, and it is difficult to say which is more representative of the Spanish people as a whole. The organized opposition, the C.I.C., appears to think that American support of a bilateral pact with the Franco regime may slow up, but cannot stop, popular protests and the proximate downfall of the present government, for the destiny of Spain rests now with the Spanish people, not with the United States. The other group described above states that the domestic political situation in Spain depends upon American policy, and that if that policy leads to a bilateral pact with the Franco regime, the opposition will be demoralized and Franco will be reenforced in power for years to come. The political tranquility of the past month tends to support the thesis of the latter group. These persons are undoubtedly discouraged, and while the leaders of the elements in the C.I.C. may continue their militancy, they must find that their efforts at organization and their plans for further protests have been slowed up by a certain hesistancy on the part of the rank and file.

It remains to be seen whether the recent series of strikes and manifestations have definitely ended or will continue. It may well be that the prospect of a bilateral pact between the United States and the Spanish Government may have one reaction among the ex-supporters of Franco, and still another among the working classes represented by the two traditional clandestine trade unions. Then, too, there will be some in each group who will think like the other group. As for American popularity in Spain following a bilateral pact, there is little doubt that Americans will be less popular with opposition leaders, although with Spaniards generally, the pervading feeling may be, as it is often expressed, that we are again proving to be big children (*niños grandes*) in international politics, hoodwinked by that clever devil in the Pardo.

For the Ambassador:
DANIEL V. ANDERSON
First Secretary of Embassy

No. 382

752.5/7-351

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Secretary of State [1]

TOP SECRET [WASHINGTON,] July 3, 1951.

The attached "Memorandum Regarding Conduct of Base Negotiations with Spain" is submitted for your approval. It has been cleared by Mr. Matthews and is in line with Mr. Perkins' conversations with Admiral Sherman.

In accordance with the British and French requests for further consultations concerning Spain, a meeting was held with British representatives, including Air Chief Marshal Sir William Elliot, on June 21 and French representatives, including General Murtin, on June 22, on which occasions our policy and objectives were explained by Admiral Sherman and Mr. Perkins. On June 29 the British Embassy requested that before initiating bilateral conversations in Madrid, we await their views, which would receive Cabinet consideration on July 5. We expect, therefore, to hear further from them during this week.

[1] Drafted by Byington.

In the meanwhile, we have asked Ambassador Griffis in Madrid to send us his comments on the proposed procedure for negotiations. [2]

If Admiral Sherman should go, it is planned that he would leave here not later than July 15 in order to begin conversations with General Franco prior to the latter's farewell reception on July 18 when he leaves for his summer residence. [3]

[Attachment]

Memorandum Regarding the Conduct of Base Negotiations With Spain

TOP SECRET [WASHINGTON,] June 25, 1951.

The following course of action is recommended for the negotiation with the Spanish Government of the military operating facilities required in Spain.

Admiral Sherman or another high-ranking officer should accompany the Ambassador when the negotiations are opened. This would involve discussions with General Franco to follow up his assurance to the Ambassador that base facilities in Spanish territory would be available to the U.S. and his agreement in principle of June 27 to "conversations of a defensive military character." Subsequent discussions with high Spanish military authorities would probably then take place.

Since a high-ranking officer would undoubtedly be unable to remain to carry out the entire negotiations, these initial talks should prepare the way for a small group from Defense to continue the negotiations. As in the case of the current Azores negotiations with the Portuguese Government, [4] this group would be under the general direction of the Ambassador and would be assisted, as required, by the Service Attachés and by other members of the Embassy staff. It should consist of a high-ranking officer from both the Air Force and the Navy; these Departments will probably each wish to send a representative from their legal staffs and the office of the Secretary of Defense may also wish to be represented.

The Ambassador should be instructed in advance to inform Franco that it is planned to send a high-ranking officer to Spain to initiate negotiations for air and naval base facilities in Spain. He

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[2] On July 5 Ambassador Griffis urged that Admiral Sherman come to Madrid no later than July 16. (Telegram 14, 752.5/7-551)

[3] At the bottom of the source text, next to the typewritten word "Approved", are Secretary Acheson's initials.

[4] For information on this subject, see Document 352.

should also be instructed to ask Franco to receive him and this officer.

From what is known of the Ambassador's opinion on this subject, he would welcome both Admiral Sherman's visit and the assistance of other officers in the technical military and legal aspects which these negotiations will involve.

The agreement itself can be set up in the same general pattern we are using in other cases. This would include a main government-to-government agreement with one or more annexes covering the more technical military, jurisdictional and other matters which are not covered in the government agreement. The details on this can be worked out with the Air Force and Navy. [5]

[5] President Truman approved this memorandum and the dispatch of Admiral Sherman to Spain at the Cabinet meeting on July 6. (Memorandum dated July 6 and letter from Secretary Acheson to Secretary Marshall, dated July 10, S/S–NSC files, lot 63D351, NSC 72 files)

No. 383

752.5/7–851: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State [1]

TOP SECRET PRIORITY LONDON, July 8, 1951—1 p.m.

140. Mytel 104, July 6. [2] Substance instructions cabled by Foreign Office to Franks re Spain follows.

British Cabinet has decided US Govt must be strongly urged abandon policy to associate Spain more closely with West. French Govt shld be urged make similar representations and Dominions shld be informed. Cabinet admits strong case strategically can be made for US proposal but considers this outweighed by other considerations, both material and moral.

To associate Spain with Western democracies wld strike severe blow to purpose and unity of Atlantic association. What is wanted at this stage of cold war is strong build-up of material and moral forces of Atlantic powers. If US Govt by unilateral action attempts associate Franco-Spain with West it wld give severe shock to Scandinavians, Belgians, Dutch, possibly Italians, besides British and French. Western morale wld be gravely disturbed by implication Europe is to be defended at Pyrenees.

[1] Repeated to Paris and Madrid.
[2] Not printed.

On material side Western Europe wld be disturbed at prospect US arms and equipment being diverted to Spain for more urgently deserving countries. British convinced US cannot pay Franco off with economic aid, but will have to pay in military equipment. Cables from British Emb Madrid indicate negotiations cannot be kept secret. Franks is instructed bring these views to attention US Govt, making it clear British Govt feels very strongly on this matter. This question primarily of European concern and British Govt feels entitled ask its views be considered. French Ambassador being similarly instructed. [3]

In conveying above chief Western Dept Foreign Office commented British Govt is deadly serious on this, it really means business and does not mean to recede to compromise view.

GIFFORD

[3] On July 10, the British and French governments, through their respective Embassies in Washington, delivered similarly worded *Aide-Mémoire* to the Department of State strongly urging postponement of the proposed military talks between Admiral Sherman and Generalissimo Franco, setting forth the arguments anticipated and summarized by Ambassador Gifford in this telegram to the Secretary of State. (Memoranda of conversations, July 10 among British Ambassador Sir Oliver Franks, Bonbright, and Byington and the Counselor of the French Embassy de Margerie, (752.5/7-951)

No. 384

752.5/7-1251: Telegram

The Secretary of State to the Embassy in Spain [1]

TOP SECRET WASHINGTON, July 12, 1951—8 p.m.

28. Eyes only Amb. Sec called in Brit and Fr Ambs separately this afternoon with regard to their recent representations on Spain. He said this had been matter which had given us all great concern and he did not wish to minimize the difficulties in any way. However, our desire to obtain military facilities from Spain has been known to Brit and Fr Govts for many months, and there can be no real difference between military authorities of our three countries over military importance of what we are seeking.

Sec went on to say that following representations made by Sir Oliver Franks and Bonnet earlier this week he, in company with Sec Marshall, General Bradley and Admiral Sherman, had reviewed problem in detail with Pres. After carefully weighing all elements latter had decided that we must proceed and to this end

[1] Drafted by Bonbright and repeated to London and Paris.

high Defense official will leave for brief visit to Madrid in few days. [2]

Sec referred to fact that both Fr and Brit representations had been based on political grounds. He fully agreed with soundness of many points they made but pointed out that we also had additional political problem of serious proportions. This problem would be made more acute as result of current Senatorial visit to Madrid. Our military authorities were convinced of desirability of going ahead and to draw back at this time wld merely result in deflecting political criticism to our Brit and Fr allies. In such a situation results on our Foreign Aid program cld well be imagined.

Sec indicated that we want visit to pass off as quietly as possible and that since this is in interest of all of us we shld all try to play it down. There will be no fanfare and publicity as far as we are concerned, although we recognize that secrecy is impossible. Furthermore, we will confine initial discussions to exploratory talks concerning rights to stage aircraft through Spanish fields, overfly Spain, and generally make use of Spanish air facilities, as well as to request anchorage rights for naval vessels. In other words we will, at least at outset, not go into larger questions of development and occupation of bases.

Franks limited himself to stating that he wld report our decision to his Govt. Bonnet said he wld do the same. He had already received second instruction to take matter up personally with Sec and thought his Govt wld react still again.

Embassy Public Affairs Officers shld be adequately briefed. Press rumors shld meet with no comment.

ACHESON

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[2] In a memorandum to the Secretary of Defense dated July 11, Admiral Sherman urged that in forthcoming talks with Franco he be permitted to "confine initial discussions of the base program to exploratory discussion of rights to stage aircraft through Spanish fields, overfly Spain, and generally make use of Spanish air facilities, and to anchorage rights for naval vessels." (611.52/7-1151) On July 12, the Department of State informed the Embassy in Madrid that Admiral Sherman would be leaving Washington by air on July 15 and that "In view of impact this visit in face of recent Brit and Fr representations, most important there shld be as little publicity as possible. No press release will be issued here prior his departure and he intends make no statements to press re his conversations with Span Govt while in Madrid." (Telegram 44, 752.5/7-951)

No. 385

033.1152/7-1351: Telegram

The Ambassador in Spain (Griffis) to the Secretary of State [1]

TOP SECRET PRIORITY MADRID, July 13, 1951—9 p.m.

39. In 50 minute roundtable interview this afternoon with members Senate fon relations comm, during introductory exchanges Franco expressed appreciation US action in World War II, rehabilitation Europe and stand in Korea, despite lack of appreciable aid to Spain.

Question and answers summarized as follows:

Wiley: In view Span experience fighting communism, what suggestions can you give us?

Franco: Communism dangerous both as ideology and force. Useless combat one and not other; ideology more dangerous because appeals to masses and intellectuals.

Smith: Would Spain be willing play part as NATO member?

Franco: Spain has always recognized her responsibilities in Europe and will continue to do so in defense against communism. But some countries have not wanted Spain in NATO and have thereby created reaction among their people and among Span people. At this very moment certain countries are opposing in Wash our association with NATO. Even if we could become a member our collaboration would be ineffective because of continued opposition within NATO.

McMahon: No question.

Sparkman: At UN where as member US del I proposed amendment 1946 resolution on Spain, principal objection some countries was lack of freedom of speech, press, assembly and religion in Spain. Any comment?

Franco: Liberty not same in all countries or all sitns; in anarchy all liberties perish. In Spain some freedoms are limited as compared to US but you don't have same sitn. I call attention to stability here in contrast to France and Italy.

Hickenlooper: No question, but hopeful of greater future understanding between Spain and US.

Gillette: No question. Appreciate courtesies here and hope to be able to reciprocate.

Brewster: Overwhelming Senate vote in favor aid Spain is convincing ~~evidence~~ Amer people favor improved relations. Much

[1] Repeated to London and Paris.

credit due Amb Lequerica. Am happy we have worthy competent Amb here.

Green: We appreciate opportunity to meet you and will inform our colleagues.

Franco: Pls express gratitude members Senate House who have worked for better relations.

Green: Have you any questions for us?

Franco: We know Commies trying foster climate neutrality especially among left wing Socialists and labor leaders. This propaganda dangerous because appeals to people's hatred of war. Military not affected by this but politicians are. We hope you will return and stay long enough to see we are trying improve standard living and build up defense potential. Will also see Span people are simple peace loving and well disposed toward US.

Brewster: Are we to gather you willing cooperate with us in military and econ fields?

(Interruption but assent understood.)

Wiley: How many men could Spain furnish if full equipment were available?

Franco: We have good infantry and excellent officer corps but our equipment restricted by industrial production. In civil war one had 1,200,000 soldiers. Today we could mobilize 2,000,000.

Wiley: How much does a Span soldier cost?

Franco: About a third as much as US soldier. It would cost more if he fought outside Spain than inside.

Gillette: Would Span forces be prepared fight outside Spain?

Franco: That would depend on sitns both in and outside Spain.

Smith: If NATO countries were attacked, would Spain help?

Franco: That would depend on our agreements.

Smith: Would you be willing to make such agreements?

Franco: Of course.

General atmosphere of meeting informal and cordial. All members of Senate party and several Emb officers were present. It was agreed discussion would be kept confidential.

GRIFFIS

No. 386

752.5/7-1751

Memorandum of Conversation, by the Chief of Naval Operations (Sherman)

TOP SECRET [MADRID,] 16 July 1951.

Present: General Franco
Marques de Prat
Ambassador Griffis
Admiral Sherman

Ambassador Griffis stated that following their previous discussions I had arrived to initiate exploratory conversations on the military level, and that the purpose of the meeting would be to discuss mutual defense problems without definite commitments.

I then informed General Franco through the Marques de Prat, [1] who acted as interpreter, that the President had authorized my coming to Madrid as a representative of the Defense Department and the United States Chiefs of Staff. I stated that we had given long and careful consideration to the strategic problems involved in the defense of the western world—western Europe and the United States--and then commented briefly on the strategic importance of Spain in connection with the defense of western Europe. My comments included reference to her importance in air communications to and from western Europe, and her commanding position with respect to sea and air communications through the Mediterranean.

I then summed up the military problems which would confront us in the event of hostilities. I discussed briefly the problem of deployment of air forces to support the defense of western Europe and of naval forces to support the defense of western Europe and to control the Mediterranean in connection therewith. I also outlined the problem of evacuation of U.S. civilians from western Europe and the Mediterranean and our probable need to stage some of them through Spain.

I then outlined the measures which it seemed necessary to accomplish in the current situation. These included air operating and transit privileges in Spain, Spanish Morocco and the Canaries. I also outlined our need for the use of anchorages in Spanish territorial waters in the same three areas, as well as in the Balearics, and indicated briefly our concepts of anti-submarine operations and carrier operations in the Mediterranean.

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[1] Head of the American Section of the Spanish Foreign Office.

I stated that we envisaged initiating measures of military cooperation to include surveys of installations, exchange of military information, consultation in connection with plans for defense of Spain, and technical advice on the questions of military supply and military logistics. I mentioned also that we would expect to ask Congress to authorize our assisting in the improvement of air fields and supporting facilities, and that we would expect also to assist in military training.

I then informed the General that we would like to have further conversations on the staff level in the near future to develop details.

General Franco indicated his agreement in principle to my remarks. General Franco then commented at considerable length on the steps which he had taken since 1945 to prepare Spain to meet the threat against western Europe. He stated that he had done everything possible with the means available to train his personnel, and that he considered the active forces and also the reserve elements to be fundamentally well-trained, but that they lacked equipment. His comments during this part of his discussion were obviously concerned with the equipment of the army, and he made particular reference to tanks, anti-tank weapons, and anti-aircraft artillery.

He emphasized that a great deal of time had been lost and that it was quite late to commence to prepare Spain to participate effectively in facing the probable aggressor. He repeatedly stated his apprehension that the French (as distinguished from the French Army) would not fight the Russians, but that in the event the Russians over-ran the rest of Europe, the French would be prepared, under a new government, to fight Spain. In all this, he made a careful distinction between the French Government and the French Army. He spoke of General Eisenhower's success in highly complimentary terms.

He went very thoroughly into the necessity to prepare a nation completely, in the economic as well as in the military field, for war, if that nation were to grant operating rights which would of necessity give the nation a belligerent status whenever those rights were used in war.

He then developed Spanish needs for economic assistance and emphasized the need for economic preparation of Spain to withstand the vicissitudes of war. He mentioned the drain on the economic resources which would be inherent in its use as a base for military forces.

I then commented on his last point, to the effect that while furnishing military equipment would not in itself constitute economic assistance, expenditures of funds to develop base or logistic facili-

ties would inevitably be of help to the Spanish economy. I said also that we were familiar with the economic problem, but that I could talk only in the military field.

Ambassador Griffis then stated that whatever course of action Spain might take, she would definitely be a target for Russian attack in the event of a general war. I then made the point that the United States had only two courses of action. The preferred course was to do everything possible to assist in the defense of western Europe, and that General Eisenhower, in my opinion, was making great progress and had considerable optimism as to his eventual success. The other course of action would be to revert to isolationism. Accordingly, we were discussing the mutual problems of Spain and the United States on the first basis.

The General then said that he would be glad to have us proceed with detailed conferences on the staff level. (I indicated that the conferees from the United States would probably be on the Major General-Rear Admiral level.) He said that any further conferences should take place in Madrid, and that holidays would give place to getting the work done. The Ambassador and I then both said that we would report back to our respective superiors and that if our proposals were approved we could hope to have further conferences take place early in August.

General Franco then told us that new ministers would be involved because of cabinet changes soon to be made.

The general then stated that as to any agreements developed, he would be bound to inform Portugal to the extent required by the existing treaty.

No. 387

Editorial Note

During his press conference on July 18, Secretary of State Acheson delivered the following remarks on American policy regarding Spain:

"Military authorities are in general agreement that Spain is of strategic importance to the general defense of Western Europe. As a natural corollary to this generally accepted conclusion, tentative and exploratory conversations have been undertaken with the Spanish Government with the sole purpose of ascertaining what Spain might be willing and able to do which would contribute to the strengthening of the common defense against possible aggression.

We have been talking with the British and French Governments for many months about the possible role of Spain in relation to the

general defense of Western Europe. We have not been able to find a common position on this subject with these Governments for reasons of which we are aware and understand. However, for the strategic reasons outlined above, the United States has initiated these exploratory conversations."

The Secretary closed his remarks with the pledge that the North Atlantic Treaty Organization "will remain the keystone" of United States' defense policy with respect to Western Europe. (Department of State *Bulletin*, July 30, 1951, page 170)

At his press conference on July 19, President Truman was asked to amplify Secretary Acheson's comments regarding Spain. The President admitted that United States policy toward Spain had changed "to some extent" but that the nature and degree of the change remained to be worked out and that the "preliminary conversations" being held between Generalissimo Franco and Admiral Sherman were meant to define "just what the situation is with regard to our necessity, and what Spain is willing to do." When asked if the Franco–Sherman talks were the result of any National Security Council decision, the President replied: "It is the result of the advice from the Department of Defense."(*Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, page 403)

No. 388

752.5/7-2751: Despatch

The Ambassador in Spain (Griffis) to the Department of State

SECRET MADRID, July 27, 1951.

No. 104

Subject: C.I.C. Protests United States Aid to the Franco Regime

As reported in the above-mentioned telegram, [1] the Secretary of the Coordination Committee of the Interior (Comité Interior de Coordinación usually referred to as the C.I.C.) called at the Embassy on July 20, 1951 to present a formal protest, on behalf of his organization, against the granting by the United States of military and economic aid to the Franco Regime. A copy of the C.I.C.'s note of protest and the covering letter, as well as the translations of both, are enclosed in this despatch. [2]

The basic thesis of the note is that the United States has broken faith with the Spanish people and has abandoned its role as champion of freedom. It also reiterates a previous C.I.C. statement that

[1] Telegram 65 from Madrid, not printed.

[2] Not printed.

its U.G.T. and C.N.T. components represent more than 6,000,000 Spanish workers who are determined not to cooperate in any military or economic program while General Franco remains in power. (Embassy Despatch No. 865 of January 31, 1951 [3])

On the occasion of presenting this note at the Embassy, the Secretary of the C.I.C., obviously very much upset, talked for nearly an hour on what he and his organization consider to be the basic errors in the new American policy toward the Franco Regime, as they interpret that policy in the light of the recent visits of the senatorial group and of the late Admiral Sherman and the recent official statements from Washington. The Secretary alleged that, by providing aid to Franco, the United States was sacrificing fundamental moral and political principles to military expediency and, in so doing, was losing the respect of not only the Spanish people but of all the democratically minded people of free Europe. Further, he asserted that this sacrifice will prove to have been made in vain because the great popular opposition to Franco within Spain will limit his effectiveness as an ally to a minimum and because such small benefits in the way of bases, etc., which the United States may obtain from Franco will be more than offset by the great moral loss to the Western cause.

The C.I.C. Secretary stated that the Spanish people are bordering on desperation and, considering themselves abandoned by the United States, will now grasp at any aid offered them for use against the Franco tyranny. He asserted that there are armed communist nucleus groups in Spain and that the communists will now be able greatly to strengthen and expand their organization. He mentioned that the United States radio propaganda to Spain is as nothing compared to the volume of communist propaganda reaching the Spanish people through the radio medium.

There is little new in the arguments presented by the C.I.C. Secretary. He is an intelligent and well informed individual who appears to be sincerely opposed to communism and friendly to the United States; however, his dedication to and great preoccupation with the Opposition cause prevent him from viewing either the Franco Regime or the communist threat in anything like world perspective. Undoubtedly, there are a great many Spaniards who feel much as he and his organization do. It is not improbable that extending aid to the Franco Government will cost the United States, at least temporarily, the respect and goodwill of a great

[3] Not printed.

many of those Spaniards who have been our friends during the past fifteen years.

For the Ambassador:
DANIEL V. ANDERSON
First Secretary of Embassy

No. 389

Editorial Note

The issue of the bilateral United States-Spanish talks on bases in Spain and the possibility of future United States sponsorship of Spain in NATO were briefly discussed at the Fifth Meeting of the Foreign Ministers of the United States, the United Kingdom, and France at Washington on September 13, 1951. For the record of this meeting, see volume III, Part 1, page 1279.

No. 390

Editorial Note

The subject of possible Spanish inclusion in NATO was raised on several occasions during the Seventh Session of the North Atlantic Council at Ottawa, September 16–21, 1951. For documentation, see volume III, Part 1, pages 616 ff.

No. 391

Editorial Note

In testimony before the House Committee on Foreign Affairs on October 18, Francis T. Williamson, Deputy Director of the Office of Western European Affairs, stated the following:

"So in our policy with respect to Spain, we face then two problems. One is the opposition of other European states to our policy in Spain; and second, whether or not our policy will buttress or weaken the Franco Government, for which there is no alternative solution at the present time. So we have to steer as middle a course as possible between those two difficulties."

For the full text of Williamson's statement and the questions and answers which followed, see U.S. House of Representatives, Committee on Foreign Affairs, *Selected Executive Session Hearings of*

the Committee, 1951–56, volume XV, *European Problems* (Washington, 1980), pages 123–127.

No. 392

Editorial Note

The basic agreement which emerged from the Sherman-Franco discussions of July 16 was that a Joint Military Survey Team should be organized by the United States and dispatched to Spain for Service-to-Service discussions with Spanish officials to make such surveys as were required to determine eventual United States military needs in Spain. In pursuance of this objective, the Joint Chiefs of Staff proposed a team comprised initially of six officers, two each from the Army, Navy, and Air Force, headed by a senior Air Force general officer, with technicians to be added later up to a total of 30, and the terms of reference. (JCS 1821/44)

Approved by the Secretary of Defense on August 15, the terms of reference among other things specified that the Chief, Joint Military Survey Team, would (a) operate under the general guidance of Ambassador Griffis; (b) insure that in any discussion there would be "no indication of a possible course of action to withdraw United States forces from Germany and France to Spain in the event of war. All discussions will emphasize that the primary role envisaged for Spain is support of the common policy of defending the NATO area"; (c) "make no commitment on behalf of the United States Government"; (d) survey Spanish air, maritime, and supporting logistical facilities with a view to determining those improvements necessary to meet U.S. military requirements and to report to the Joint Chiefs of Staff which military requirements, and the means for meeting them, should be presented to the Spanish Government; and (e) without taking the initiative with regard to Spanish demands for aid, report all indications of such Spanish desires. He was not to discuss economic aid, but was permitted to reaffirm Admiral Sherman's position on military aid expressed in the Chief of Naval Operations' conversation with Generalissimo Franco.

The team arrived in Madrid on August 22, and Ambassador Griffis on August 28 informed the Secretary of State that the Spanish Government had approved the sending of the additional members. (Telegram 193, 752.5/8–2851) On November 2, the Chief of the Joint Military Survey Team, Major General James W. Spry, USAF, submitted to the Joint Chiefs of Staff a comprehensive report, dated October 31, on the team's activities and findings. (Despatch 425 from Madrid, November 2, 752.5/11–251)

No. 393

752.5/11-2751

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Deputy Under Secretary of State (Matthews) [1]

TOP SECRET [WASHINGTON,] November 27, 1951.

Representatives of Defense, ECA and State met today to discuss the problems involved in preparing for negotiations for military facilities with the Spanish Government. The group considered particularly questions concerning the development of an economic aid program. Since any such program will necessarily be closely related to the military facilities the JCS will desire in Spain, the group concluded that work on an economic program could not usefully be undertaken until the JCS decision is known.

It will also be necessary to take the military requirements into account in programming economic and military aid for Spain in the FY 1953 foreign aid program. I understand the President wants this bill presented to Congress the day after his Budget Message, or about the 25th of January. These military requirements must also be used as a basis for the other preparations necessary before negotiations can be undertaken with the Spaniards.

In view of the need for an early decision, in order that we may proceed with the negotiations and the necessary programming, I suggest that you raise the question of Spain at your meeting with the JCS next week. We should take that opportunity to point out that all preparations for negotiations, as well as the development of estimated aid programs for the next fiscal year, can only be undertaken after their decision regarding the exact military facilities to be sought in Spain; and to urge that this decision be reached as soon as possible. [2]

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[1] Drafted by Dunham and Williamson.

[2] Bonbright added this penciled notation at the bottom of the memorandum: "I realize that this was raised last week and that, given the frame of mind exhibited by Genl. Collins [Chief of Staff, USA], it would be a mistake to push too hard. On the other hand we cannot move until we know the military requirements and we have a deadline to meet for the '53 foreign aid program."

At a meeting of Department of State representatives with the Joint Chiefs of Staff on December 7, Deputy Under Secretary of State H. Freeman Matthews informed his military colleagues that it was "very difficult for us to formulate any plans for economic assistance to Spain until we know what your recommendations are on the military program." He was told that the Joint Strategic Plans Committee was still pondering a proper military program for Spain based upon the Joint Military Survey Team's Report of October 31. Deputy Assistant Secretary of State for European Affairs Bonbright replied that the problem was one of an early deadline, since

Continued

FINANCIAL AND TECHNICAL ASSISTANCE TO SPAIN

No. 394

S/S–NSC files, lot 63D351, NSC 72

Memorandum by the International Security Affairs Committee [1]

TOP SECRET
[ISAC D–12a]

WASHINGTON, April 13, 1951.

SPAIN

PROBLEM

On February 1, the President approved NSC 72/4 [2] and determined that the immediate objective of United States policy toward Spain should be to develop urgently the military potentialities of

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it was necessary to submit a comprehensive new MSA plan to Congress in January. The meeting then turned to another subject and the issue of Spanish military and economic aid was not considered by this group during the remainder of the year. (Substance of discussions of the State–Joint Chiefs of Staff meeting, December 7, PPS files, lot 64D563)

[1] Attached to the source text was a cover sheet which indicated that it was being circulated as ISAC D–12a. On April 6 an earlier draft of this paper was transmitted to Secretary Acheson by Perkins, who in turn sent it to ISAC. This Perkins draft is the same as text printed here except for the recommendations which read:

"As a means of achieving the policy objectives set forth in NSC 72/4, and in view of the considerations outlined above, I recommend that you approve the following arrangement. If you approve, it will then be put before the ISAC on Monday. After clearance by ISAC, it is recommended that you seek the President's approval. If he approves, it will be included in the foreign aid presentation to the Bureau of the Budget.

"(1) that Spain have access in fiscal 1952 to credits in the full amount available this fiscal year, i.e. $62.5 million. (This may be accomplished by carrying over beyond June 30 the uncommitted balance of the present $62.5 million lending authority, and by requesting a new authorization in the same amount as the total of loans made up to June 30);

"(2) that in the presentation before the Congressional committees the Executive Branch officials be in a position to take the following line:

"No specific grant aid is being requested for Spain in the absence of a Spanish request for such aid and in view of the uncertainties as to a practical program. Should Spain make an appropriate request for grant aid, the Executive Branch would be prepared to give it the same consideration as given to aid to Yugoslavia. In anticipation of the possibility that Spain and other non-NATO and non-OEEC countries may require assistance during fiscal 1952, the Executive Branch is seeking to have the foreign aid bill passed in such a form that funds appropriated under it could, if necessary, be used for military and economic assistance to such countries as Spain without requiring their association with OEEC or NATO. If the bill is passed with such a provision and if a specific need for aid develops, the Executive Branch would then attempt to meet the situation out of the total funds appropriated. If other requirements for the appropriated funds should make it impossible to meet the essential requirements of a Spanish program, it might be necessary to seek a supplemental appropriation, but it is hoped and expected that this can be avoided." (852.10/4–651)

[2] Document 359.

Spain's strategic geographic position for the common defense of the NAT area. It is possible that we may not be able to achieve this objective unless we are in a position to offer some further economic aid to Spain.

DISCUSSION

NSC 72/4 contemplates that the policy objectives stated therein will be achieved through the provision by the United States of military assistance, and through military and naval cooperation and technical advice. No funds are being included in the fiscal 1952 budget submission to cover a specific program of military assistance for Spain as such. However, it is planned to request approximately $850 million for the establishment of a stockpile which could be used to meet a variety of possible contingencies in Europe, including the possibility of extending military assistance to Spain.

NSC 72/4 makes no specific provision for economic aid to Spain. Financial assistance is presently available to Spain through the Export-Import Bank. In accordance with the directive approved by the President on November 14, 1950, credits are available out of the $62.5 million appropriated by the Congress last September, although credits are not to be made to exceed an aggregate of $25 million except after approval by the President. To date $17.2 million in credits have been extended. The credit authorization will expire on June 30 unless the ECA takes administrative steps to extend its availability into fiscal 1952.

It is important for us to have authority to provide additional financial assistance to Spain in order to achieve the objectives of NSC 72/4, as well as to insure that our presentation of the aid program in general will be tenable before the Congress.

The economic condition of the Spanish people is such that further deterioration may require the Spanish Government to request grant assistance from the United States in order to prevent the danger of starvation and the threat of political disorder. Moreover, the military capacity of Spain to make a contribution to Western European defense would require the support of the Spanish people. It might be difficult to obtain this support if it appeared to the Spanish people that United States interest in Spain extended only to expenditures in behalf of the Spanish military establishment and disregarded the welfare of the Spanish people themselves.

To make any military assistance or future military base program worthwhile requires some immediate improvement in the transportation network to be used in connection with the construction and operation of such bases. Similarly, the present Spanish harbor and

airport installations should be improved by the Spaniards for possible use later by or in support of United States forces. What amount is required for these purposes cannot now be estimated.

In view of present economic conditions in Spain and of the evidence of extraordinary mismanagement of the Spanish economy and of government administration in Spain, the general economic improvement to be achieved from any particular program may not be great. Both for this reason and because we do not yet have specifications as to the military base and facilities requirements, it is not practicable at this time to formulate an economic aid program. We should, however, have available a source of funds to call upon as the situation may require. Any financial assistance to be extended should, of course, be considered primarily in relation to the accomplishment of our military objectives. In accordance with the NSC policy paper, the provision of financial assistance to Spain should be related to the ultimate United States policy objective of bringing Spain closer to participation in NATO.

Aside from purely military and economic considerations we must keep in mind that a strong demand exists in Congress that Spain should be included in Western European defense against aggression. The strength of this sentiment is indicated by the recent passage of the resolution in the Senate urging the utilization of Spain's military and other resources in planning for the defense of Europe. In view of the Administration's decision that for defense purposes grant assistance for Yugoslavia will be requested of the Congress, supporters of Spain will unquestionably demand that aid for Spain be authorized for the same reasons. We would have the greatest trouble in replying to this argument since the strategic importance of both countries in the defense of Western Europe makes untenable any presentation which attempts to justify aid for Communist dictator Tito and at the same time excludes anti-Communist dictator Franco.

RECOMMENDATIONS

As a means of achieving the policy objectives set forth in NSC 72/4, and in view of the considerations outlined above, it is recommended that the ISAC approve the following arrangement:

(1) That prior to the end of fiscal year 1951, the ECA issue notes for purchase by the Secretary of the Treasury up to the full amount of $62,500,000 authorized by Title I of Chapter XI of the General Appropriation Act, 1951, so that any portion of this amount against which loans have not been advanced to Spain by June 30 will remain available after that date;

(2) That in the Congressional presentation it be made clear by the Executive Branch that:

(a) the action in (1) is being taken;

(b) if and to the extent that the situation during the fiscal year 1952, taking into account both the needs and the reasonable possibility of repayment, calls for loans to Spain beyond the above amount, the regular lending authority of the Export-Import Bank would be available and would be used for that purpose;

(c) that in the presentation before the Congressional committees the Executive Branch officials be in a position to take the following line.

No specific grant aid is being requested for Spain in the absence of a Spanish request for such aid and in view of the uncertainties as to a practical program. Should Spain make an appropriate request for grant aid, the Executive Branch would be prepared to give it the same consideration as given to aid to Yugoslavia. In anticipation of the possibility that Spain and other non-NATO and non-OEEC countries may require assistance during fiscal 1952, the Executive Branch is seeking to have the foreign aid bill passed in such a form that funds appropriated under it could, if necessary, be used for military and economic assistance to such countries as Spain without requiring their association with OEEC or NATO. If the bill is passed with such a provision and if a specific need for aid develops, the Executive Branch would then attempt to meet the situation out of the total funds appropriated. If other requirements for the appropriated funds should make it impossible to meet the essential requirements of a Spanish program, it might be necessary to seek a supplemental appropriation, but it is hoped and expected that this can be avoided. [3]

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[3] ISAC approved this paper on April 13 and transmitted it to the White House on April 18. On April 23 it was approved by President Truman. (Memorandum for the President, April 18, 852.10/4-2351)

No. 395

852.10/4-2351: Telegram

The Chairman of the Export-Import Bank (Gaston) to the Embassy in Spain [1]

CONFIDENTIAL WASHINGTON, April 23, 1951—6 p.m.

729. Griffis from Gaston. Fol is first cable (reDeptel 711 Apr 13) [2] covering background position current problems Eximbank re Span credits.

A. Bank's gen policy Span credits laid down in Nov 14, 1950 memo approved by Pres, substance which included ECA press release Nov 15 and Emb's memo to FonOff Nov 16 (Embdes 536, Nov 20). [3] Highlights policy guiding Bank fol:

1. Credits only for purposes which demonstrated as making substantial contribution Span economy and serving US interests: Dept, ECA and Bank agree "contribution" means generally lasting contribution for benefit Span people as whole and excluding therefore expendables. Exceptions to date re expendables are cotton, fertilizer and wheat. These, especially wheat, regarded by Bank as nonrecurring. In considering credits Bank's primary concern is achieve most in shortest time making credit dol go around as much as possible.

2. Credits extended generally in favor privately owned and operated Span enterprises. Generally this excludes INI or other Govt favored or controlled enterprises which Span Govt shld take care of through own resources, gen exchange earnings, credits from Eur and other sources and by loosening up Span restrictions private capital investment in Spain including Amer investments.

3. Credits to be on project-by-project basis rather than for lines of commodities or general programs of equipment or parts. Essential credit requests and projects be for highly specific purposes.

4. Indispensible credits include soonest mineral mining projects of interest to US. These are needed not only comply with ECA Act, as stated in Presidential memo and ECA press release, but also to lay foundation for more balanced Span trade with US.

5. Off-shore procurement always possible provided need demonstrated by applicant. Such demonstration wld include fact item only procurable for dols, and not available in US at all, at equal or lower price, or in same relatively reasonable delivery dates.

6. In light available info Bank continues regard agricultural development first order priority, and anxious consider projects im-

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[1] Drafted by Dunham and the Eximbank. In telegram 958, April 25, Ambassador Griffis expressed "deep appreciation for Deptel 729. This is just what we need and puts it right on the line. Arranging immed mtg with Suanzes and Suner to attempt end Span efforts circumvent Bank policies." (852.10/4-2551)

[2] Telegram 711 reported that the Eximbank would advise Griffis directly on the Spanish application. (852.10/4-351)

[3] None printed.

proving agricultural output for domestic consumption and for export. Bank urged and urging Span offs give more weight agricultural production. Bank's views other sectors Span economy indeterminate owing lack overall picture re order urgency or possibility achieving given projects within reasonable period. This true especially transportation and power systems, whose rehabilitation appears require immense resources and where Span thinking or planning seems still hazy.

B. Span conceptions and hopes continue contrary policies outlined above despite rptd clear-cut explanations Span officials including Suner. Examples Span refusal take seriously above policies:

1. Protracted and sustained efforts to include expendable items originally asked by Suner. (See Bank's Memos Conversation Dec 7, 19, 22, 26, 1950 and Jan 8, 1951 available Emb.)[4] Recent efforts press financing gen imports of 500,000 tons coal from US.
2. Continued determination give INI or other Govt enterprises such as RENFE major share of credits directly or by curtailing nr or amount credits for private enterprises. Example latter is request for only 200,000 dols for Minas del Rif when US Steel Corp's interest in mines output warrants several-fold credit.
3. Refusal to fol up Bank's suggestion for submission projects pesticides and other materials needed for Span agri.

C. Simultaneously there appears Span unwillingness or inability understand importance submitting detailed applications as explained repeatedly. No firm detailed applications submitted since Suner's departure early Jan. Even projects specially mentioned in Bank's letter Span Emb Feb 13[5] (Sefanitro, airfield ground installations, Mineral projects) not yet recd though promised daily. Some projects being held up apparently by bargaining considerations, exemplified Span refusal submit airfield ground installation project unless and until Bank consents in principle financing double dol value of long-delivery DC 6's.

D. Another important obstacle is Span tactics on approved credits which Bank fails understand. Specific instances:

1. Whereas Bank acted on four credits Feb 13 no definite action yet by Spans take up any of money. Draft credit agreement cotton submitted end Feb and agreement fertilizer plant project early Mar; Spans also told agreements on fertilizers, tractors and wheat wld be similar to cotton draft agreement. No word yet recd by Bank on agreements.
2. Span procedures on tractors and parts also puzzling. Span showed no interest originally in getting parts. Despite Bank's insistence, Spans finally agreed to take only insignificant amount of parts. Procurement procedures still unclear as are motives for changes thereon.

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[4] None printed.
[5] Not printed.

3. Fertilizer imports represented as immed urgency. Bank accordingly informally agreed recognize purchases prior signing agreement provided interim outside financing available. View procurement difficulties in US, Bank also agreed finance offshore including fertilizer of doubtful Western Eur origin. Hence Bank unable understand Span inability to date secure all fertilizer. Bank understands number of orders accepted by recognized US firms, but only one US supplier has delivered fertilizer valued $900,000 out of credit $3.5 million.

4. Bank's experience wheat and cotton credits again not such as confirm Span statements of urgency of need. Bank's guess these credits being used by Spans establish position for future rights, claims or quotas on US supplies or allocations. View shipping and other difficulties, Bank suggested Spans buy wheat offshore. Spans refuse on grounds only Amer wheat will do; this surprising view small share such wheat in total supply.

E. Bank approved to date 5 credits totalling $17.2 million:

1. $5 million for cotton (procurement difficulties being cabled separately).
2. $3.5 million for fertilizer.
3. $3 million tractors and parts.
4. $700,000 fertilizer project Sociedad Iberica Nitrogeno.
5. $5 million for wheat.

F. Dept advised you Apr 13 re use credit authorization beyond June 30. [6]

G. No detailed and fully supported applications are now under consideration by Bank.

Generally Spans confine approach to Bank by discussing broad terms types of projects. Bank asked repeatedly whether wld consider Escatron fertilizer project requiring credits $10 million and steel mill project requiring $50 million credits. Bank repeatedly discouraged Spans from submitting either project because of amount credits required and longtime necessary study and completion projects. Bank likewise discouraged submission of Adaro mining development project, for which $1.5 million requested, on ground public funds could not be made available for exploration underground resources. Nevertheless Spans have brought to Washington Adaro's mining engineer discuss matter further with Bank.

Only this week Spans furnished details regarding Madrilena hydroelectric project. Even if project adequately prepared doubtful whether Bank can act on it soon owing lack survey Spain's overall power problem and measure of contribution Madrilena project to this problem.

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[6] In telegram 710 to Madrid, April 13, Ambassador Griffis was informed that the efforts to carry over the funds to fiscal year 1952 would probably be successful. (852.10/4-1351)

Application for Almagrera lead mining development for $150,000 submitted several weeks ago to Board Directors. Board unable act because lack economic justification and other technical details. These requested of Spans but not yet furnished.

H. Eximbank memo Apr 4 and letter Apr 13 (airpouched by Dept Apr 13) [7] contain details on status discussions re proposed Span applications. Span intentions and Bank's position on each briefly fol:

1. Spans propose ask increase wheat credit order make up for 25% higher market price for wheat over internatl agreement price. Bank advised Spans Amb. Lequerica's request was for $5 million worth of wheat, and any change wheat credit involves exceedingly difficult problems outside Bank's scope.
2. Spans intend ask increase in cotton credit to procure and ship 23,000 bales cotton. Bank answered primary problem is obtain allocation of cotton within present credit figure; if allocation in near future higher Bank wld consider increase in credit.
3. Spans propose apply for $12 million credit to finance 500,000 tons US coal for general consumption. Bank stated unable consider gen purpose imports such as coal but prepared consider coal requirements for very specific purposes of a particular productive or export industry or enterprise together with other related requirements in project form.
4. Although Spans have no detailed and fully supported applications now before Bank, Spans stated they hope submit near future fifteen individual projects requiring credits of $32.7 million, comprising fol types or names projects (in mil dols):

[Here follows a list of fertilizer, mining, railroad, power, and aviation projects.]

Spans informed Bank wld welcome soonest Sefanitro fertilizer project and first 5 mining projects. Bank repeated its readiness consider airground installations and its inability consider purchase expensive long-delivery aircraft for Span airlines. (Spans advised requests for spares or other equipment for existing Amer aircraft in Spain wld be considered.) Bank unable consider appropriateness or urgency of railroad and power projects mentioned by Spans in absence Span surveys or studies indicating needs and urgency rehabilitation of transportation and power. Bank urged Spans submit soonest transportation and power surveys permitting Bank evaluate role specific projects within each field. Bank ready consider both RENFE steel rails and project for power supply Huelva pyrites mines forthwith provided adequate details submitted by Spans.

I. Span Emb informally advises Bank reps and potash industry already in US to consult with Bank, and rep Escatron and Iberduero leaving for Washington when visa granted.

J. Bank's main problem now is study process and consider fifteen projects being submitted immed future.

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[7] Neither found in Department of State files.

K. Bank welcomes Emb's assistance especially along fol lines:

1. Advice and comments on copies of projects submitted Emb according proposal Embtel 891 Apr 5 and Deptel 686, Apr 6. [8]
2. Maintaining with Span offs Madrid parallel position with Bank re subjs covered this and future cables.
3. Providing Bank continuing basis info readily available Emb such as offered in Embdes 1103 Mar 20. [9]

[GASTON]

[8] Neither printed.
[9] Not printed.

No. 396

852.10/4-2551: Telegram

The Secretary of State to the Embassy in Spain [1]

TOP SECRET WASHINGTON, April 27, 1951—3 p.m.

741. Urtel 958 Apr 25. [2] Carry-over to next fiscal year of funds for loans to Spain suggested and approved by Pres. Ltr and doc re this action has been air pouched to you. This info shld not be communicated in any form to Spans. After admin steps have been taken to carry out action approved by Pres, you will be instructed re informing Spans.

Action re removing limitation being taken and it is therefore unnecessary you communicate directly with Pres this subj.

ACHESON

[1] Drafted by Dunham and cleared with Sauer of the Export-Import Bank, Corbett of the Office of Financial and Development Policy, and Tannenwald of the Office of the Special Assistant to the President, Averell Harriman.

[2] Ambassador Griffis had asked in this telegram if the $25 million loan limitation with respect to Spain was still in effect and added that it appeared that the Spanish Government knew nothing of this limitation. (852.10/4-2551)

No. 397

752.5/6-2351: Telegram

The Secretary of State to the Embassy in Spain [1]

TOP SECRET WASHINGTON, June 23, 1951—2 p.m.

909. Since aid mentioned as *quid pro quo* Deptel 892 (London 5967, Paris 6903) Jun 18 [2] will be our chief bargaining weapon in negots with Span Govt, we plan make every effort forestall any Congressional action which wld require such aid be given before we have obtained desired mil facilities. (Pres has previously approved, and draft Mutual Security Bill permits, extension necessary and appropriate mil and econ assistance to Spain; Spain purposely not mentioned draft Bill since desired mil arrangements have not yet been made.)

When questions first asked re Spain during hearings draft Mutual Security Bill, we will inform House and Senate Comites in exec session: (1) current status our action and subsequent steps to be taken obtain base rights in Spain; (2) Bill as drafted permits extension necessary and appropriate mil and econ aid to Spain; and (3) adverse effect premature action re aid wld have on base rights negots. This testimony will be coordinated with prin witnesses from Def Dept. [3]

Foregoing FYI only.

FonMin, or at ur discretion Gen Franco, shld be advised Franco's remarks to you Mar 14 [4] have been carefully studied and we plan discuss these matters further with them shortly.

ACHESON

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[1] Drafted by Dunham, cleared by Perkins, and repeated to London for Spofford and to Paris for MacArthur.

[2] Document 379.

[3] In telegram 1212, June 25, Ambassador Griffis replied that it would be "unrealistic expect Span offer facilities unless definite econ and mil aid assured. Therefore, we should be prepared in negots to offer specific aid in return for facilities." (752.5/6-2551)

[4] See telegram 803 from Madrid, Document 371.

No. 398

852.00/8-251: Telegram

The Secretary of State to the Embassy in Spain [1]

SECRET WASHINGTON, August 2, 1951—8 p.m.

90. Joint State–ECA message.

1. Fol are terms of reference of group ECA planning send Madrid about Aug 12 to conduct special econ study Spain. Dr. Sidney C. Sufrin designated Chief, Temporary Econ Survey Group. Sufrin responsible to and will report to ECA Administrator.

2. Amb, as senior rep for the US in Spain and as primary instrument of US policy in Spain, will be responsible for giving guidance and gen direction to activities Temporary Econ Survey Group to assure consistency of Group's activities with fon policy objectives of US and to assure a coordinated US position in all relations with Span Govt. Chief, Temporary Econ Survey Group shall keep Amb and other appropriate Emb officials as he designates fully and currently informed matters arising within scope special study. Amb and other Emb officials he designates shall keep Chief Group fully and currently informed on matters relative to conduct of special study. Relationship between Emb and Temporary Survey Group expected to be intimate and completely coop.

3. Temp Econ Survey Group will be engaged fol functions:

(a) Analyze present status of projects already committed on $62.5 million Ex-Im loan under terms PL 759.

(b) Appraise desirability and feasibility of committed and anticipated projects.

(c) Study Span econ to determine econ development requirements and capabilities in event of possible further econ aid.

4. Emb and Group will collaborate closely on study mentioned para 3(c) above. Study shld be prepared on confidential basis view its relationship to and effect on negots re mil facilities.

ACHESON

[1] Drafted by Deputy Executive Director of European Affairs Pollack, cleared by ECA, and repeated to Paris.

No. 399

852.10/9-1351: Telegram

The Chargé in Spain (Jones) to the Secretary of State [1]

SECRET PRIORITY MADRID, September 13, 1951—3 p.m.

256. This is joint Emb–ECA message for Dept, ECA Defense.

1. It has been our understanding that admin's policy re econ aid to Spain as explained to Congress has been: (a) US prepared to extend limited econ assistance amt of which can only be determined with completion surveys and negots; (b) funds necessary can be allocated from mutual security appropriation; and (c) if this proves inadequate, special appropriation Spain wld be requested of Congress.

2. We have considered foregoing in light of fact severe reductions imminent in total aid funds appear to limit severely volume aid which might be made available to Spain and info recd by Sufrin in Paris that no provision is being made for Spain in illustrative country presentation being prepared by ECA for consideration joint House-Senate comite on authorization bill.

3. Is our judgment failure to have adequate funds on hand prior to Congressional adjournment to meet a Span econ program fiscal 52 wld both jeopardize success mil negots and act as boomerang on Span-US Govt and popular relations generally. In this connection it is important to keep in mind (a) that Span people assume from Congressional statements that they will, in fact, achieve some amelioration from present extremely poor standard of living, and (b) that Span Govt assumes that our decision to send mil and ECA study groups to Spain was made in light of Franco's statement to Sherman linking Span econ assistance with US base requirements in Spain, and that we have, in fact, accepted this basic concept.

4. Although exact dimensions minimum econ aid to Spain fiscal 52 not ascertainable until completion work mil and econ survey groups, facts developed to date indicate probably that program set forth in document TFI D–14/1 of task force one of fon aid steering grp not excessive to secure minimum econ goals, even when mil or other aid not considered.

5. Supplementary joint tel will be sent at later date outlining potential usefulness US offshore auxiliary mil procurement in Spain and Span participation in EPU as devices to accelerate Span econ recovery as well as possibility of mil program permitting reduction of econ aid.

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[1] Repeated to Paris for OSR.

6. It is hoped foregoing will be discussed with Amb Griffis scheduled to be in Wash today and tomorrow, with view to deciding on adequate course of action prior to mtg with House-Senate comite.

JONES

No. 400

852.10/9-1351: Telegram

The Acting Secretary of State to the Embassy in Spain [1]

SECRET WASHINGTON, September 18, 1951—8 p.m.

214. From State and ECA. Regret Embtel 256 Sep 13 [2] not received in time to coordinate views of three agencies for discussion with Amb. Gen question discussed briefly with him during Washington visit. [3]

Since econ and mil aid will be our chief bargaining weapons in negots with Spans, we are continuing our efforts to forestall any Cong action requiring such aid be given prior obtaining desired mil facilities (Deptel 909, Jun 23). [4] Consequently mention Spain purposely omitted from draft Bill; for same reason we wld oppose inclusion Spain in ECA illustrative country figures re authorization bill.

Bill as written will permit extension mil and econ aid to Spain. Mil aid provided in stockpile arrangement re which Cong informed in Executive Session. Econ aid may be financed under provision permitting transfer within and between titles: 5% from mil to econ section within Title I and 10% from total of all other Titles. In present status authorization Bill this wld permit, if transfer provision were used to maximum possible extent, transfer within Title I of $250 million and approx $150 million from all other Titles. These totals will be available for use in all countries covered by Bill, but constitute source of econ aid to Spain, when necessary and appropriate.

Timing of development and initiation econ aid program for Spain, view its relation to mil negots, shld limit amount funds required during FY 1952. Re time schedule, which is at best only tentative estimate, we do not anticipate receiving definitive written info from JMST before first half Nov. This report must then be

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[1] Drafted by Dunham and cleared by Williamson, Bell of International Security Affairs, Wolf of the Office of European Regional Affairs, and ECA and Defense.

[2] *Supra.*

[3] No record of discussions with Ambassador Griffis during his Washington visit has been found in Department of State files.

[4] Document 397.

studied and agree reached here on nature and scope of negots and dimensions mil and econ aid we will be prepared to consider for Spain. View magnitude these preparations we anticipate approx two months will be required. Hence negots can probably not be expected begin with Span Govt at earliest before middle Jan. Negots themselves will likely take minimum two or three months. Thus econ aid program for Spain wld probably not be initiated before Spring. With only few months to run before end of FY 1952, econ aid for Spain shld require minimum of funds from FY 1952 aid appropriations. If inadequate funds available even for this limited period, consideration will then be required of request for supplemental appropriation.

View timing econ aid program for Spain, any consideration now of off-shore procurement in Spain highly premature. Span participation EPU wld require unanimous consent of participating countries which unlikely.

We appreciate problem mentioned para 3 Embtel 256 [5] may create difficulties in negots. Deptels 93, Aug 4 and 147 Aug 23 [6] were specifically addressed to prospect that build-up of grandiose Span expectations of aid certain to lead to disappointment thereby affecting Span Govt's position. We hope every effort is being made combat this tendency since we will not be able to make final determination of aid to Spain on basis of mistaken and exaggerated Span expectations of aid.

Foregoing considerations are FYI only.

WEBB

[5] *Supra.*
[6] Neither printed.

No. 401

752.5-MAP/11-2151

Memorandum by the Deputy Director of Mutual Defense Assistance, Department of State (Ohly), to the State Department Member of the Military Assistance Advisory Committee

TOP SECRET WASHINGTON, November 21, 1951.

Subject: Assistance to Spain in Fiscal Year 1952

$100 million has been appropriated by the Congress and specifically earmarked for use in providing assistance to Spain. There is no legal compulsion to use this fund since its employment is stipulated specifically to be "at the discretion of the President". Nevertheless it is important to arrive at the earliest possible decision on

this subject and, to the extent that any such aid is provided, to assure that it is used in such a way as to further to the maximum extent the attainment of United States objectives in Spain. It is also important, in view of the history of this provision, that the Executive Branch be in a position to demonstrate to the Congress (particularly in connection with the forthcoming request for an authorization and appropriations for foreign aid for FY 1953) that the use or non-use of the $100 million appropriated this year has been consistent with the attainment of these objectives.

The administration did not seek the appropriation of a specific amount or amounts for the provision of assistance to Spain. On the contrary, it took the following positions: *first*, in so far as economic aid was concerned, that it was impracticable, as of the time of the presentation, to determine whether, and if so in what amount and for what purposes, it would be desirable to furnish economic aid to Spain; that consequently no estimate of aid for Spain had been included in the economic aid estimates for Europe but that the legislation had been so drawn as to permit the use of funds included in such estimates to provide economic aid to Spain if required; and that, in the event that such aid became desirable, it would be necessary to decide whether, as then appeared unlikely, the amount thereof could be squeezed out of available economic funds, or whether a request for a special appropriation would be necessary; and, *second*, in so far as military aid was concerned, that no *specific* estimate for Spain had been included but that, in developing a stockpile program, the possibility of a need for such aid was one of the factors taken into account and that the legislation had been so framed as to make the delivery of military assistance to Spain legal. Such positions were necessitated by the then very early stage of our discussions with the Spanish Government and by the lack of reliable information with respect to Spanish requirements for either military or economic aid, both in absolute terms and in terms of particular military facilities or activities in which the United States might have an interest and which were to be sought in subsequent negotiations. Consequently, there still remains to be determined the question of whether, and if so in what forms and amounts, the provision of assistance to Spain will in fact further the attainment of our objectives.

The State Department is responsible for the conduct of our discussions with the government of Spain and will shortly undertake negotiations with the Spanish Government looking to the acquisition of certain rights and privileges. Since the question of aid is directly related to, if not an essential element in, the conduct of these negotiations, I request the State Department also to accept primary responsibility for developing a concrete course of action di-

rected toward resolving at the earliest practicable date the questions of whether, and if so, in what general forms and amounts, for what purposes, and when, assistance should be provided to Spain. In developing this course of action, the Department of State should consult with the Department of Defense and the ECA.

I should appreciate receiving at your earliest convenience a status report on the issues involved and the prospects for the development of a definitive program. I also believe it would be desirable, if this is at all possible, to arrange an informal briefing by General Spry of the several individuals in the Department of State, ECA, OMA (Defense), and MSA who are directly concerned with the Spanish problem and who would benefit from a brief résumé of the information which General Spry derived during his survey.

I am sending copies of this memorandum to the ECA and Defense members of MAAC. [1]

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[1] On November 21, Bell, the Assistant Director of the Mutual Defense Assistance Program, requested Bonbright to assume primary responsibility for the development of a definitive program of aid to Spain. (752.5-MAP/11-2151)

No. 402

852.10/12-851: Telegram

The Ambassador in Spain (Griffis) to the Secretary of State

CONFIDENTIAL MADRID, December 8, 1951—2 p.m.

592. In recent weeks there have been several indications that Span Govt, press and business people are becoming increasingly critical of slowness with which Export Import Bank credit was becoming available to Spain. This feeling reflected in Franco's recent interview, as per Emb Joint Weeka No 48, in which he attributed slowness to US suffering from as much Departmental red tape as Spain. In part this critical feeling is natural consequence preoccupation Span Govt leaders with their critical dollar position, one which is so bad that if it prevailed in any other Western European country would be labeled as grave financial crisis. In part Span reaction arises from period of more than one year since Export Import Bank credit was authorized, coupled with fact that several European countries have already received allocations under MSA 1952, whereas in case of Spain nothing has happened except continuation study activities which Span regard as inadequate substitute for needed dollars.

I am fully cognizant of fact that Span bear large share of responsibility for retardation execution Export Import Bank credits, par-

ticularly with respect to hiatus created by disagreement between Primate banks and govt over question of rate of exchange to be used for amortization credits to private firms. I have urged Span to resolve their differences so that credits already granted can be effectively utilized and have been informed by Min Com that matter will be presented to cabinet today with a view to reaching solution.

Irrespective degree Span responsibility, fact remains retardation completion Export Import Bank credit coupled with lack of any information re US intentions under MSA, is operating adversely to US interests and prestige in this country.

In view foregoing, I recommend adoption following measures:

(1) Export Import Bank proceed soonest to conclude credits for tinplate, barrelstaves, teruel and escatron, with expeditious conclusion loan contracts projects already approved.

(2) Export Import Bank detail one its officers to Emb here to act in close liaison with Span Govt in administration balance of credit of $10 million earmarked for price rises, similar factors and for credits to small and medium industries. (As pointed out Ecato 32 consideration each application requires research and detailed justification, most of which will necessarily have to be done in Spain.) As Dept is aware, I have repeatedly recommended Export Import Bank representation here. While temporary visit Jones and Fitch was helpful, need is for officer on continuing basis until loan operation completed.

(3) Active consideration be immediately given by appropriate agencies in Washington to econ policy and program for Spain 1952, with view to its completion concurrently decisions re US military base program in this country. In my judgment any prolonged hiatus between completion this month of survey of ECA temporary study group here and discussion with Span Govt of implementation in this country of MS appropriation act would not only increase Spain's econ difficulties but adversely affect US position in Spain.

GRIFFIS

No. 403

852.10/12-851: Telegram

The Acting Secretary of State to the Embassy in Spain [1]

SECRET WASHINGTON, December 12, 1951—2:37 p.m.

463. Dept passing Embtel 592, Dec 8 [2] to Ex-Im Bank for reply specifically re recommendations (1) and (2) and expects Emb will

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[1] Drafted by Millar and Dunham, cleared by Jack C. Corbett of the Office of Financial and Development Policy, Tirana of the Export-Import Bank, Green of ECA, and Bonbright.

[2] *Supra.*

have their answer shortly. Meanwhile Dept has fol comments reftel:

1. While Dept recognizes some problems may be created by absence public explanation in Spain re disposition funds included MSA, sure Emb appreciates reasons why this is necessary (Deptels 428 Nov 30, 291 Oct 17, and previous). [3] Preliminary consideration has been given subj of econ program for Spain 1952 order have it on hand before beginning mil negots. Determination re specific program however must be made in light decisions to be reached re precise mil requirements. As indicated Deptel 428, JCS now considering those requirements.

2. View these unavoidable difficulties re timing Dept hopes that, if there shld be any considerable interval between completion ECA survey and discussion with Span Gov re MSA funds, Emb can successfully minimize any adverse effect US position in Spain by such actions as prevention build-up of exaggerated Span expectations US aid (Deptel 285 Oct 15 and previous). [4]

3. Suggest material contained Deptel 378 Nov 9 outlining total credits extended to that date, Deptel 439 Dec 5 announcing 2 mil dols for UNESA, and Deptel 424 Nov 29 [5] re 600 thous dols for Puertollano may be helpful in counteracting any impression nothing has happened in providing dol aid to Spain.

4. Publicity about arrival US goods under this credit, such as front page photo in *Arriba* Dec 5 of US tractors being unloaded Barcelona, and similar publicity *Pueblo* and *Informaciones* Dec 4 should also be useful in offsetting criticism by Span Gov, press and business people re slowness extension Ex-Im Bank credits.

5. Re Spain's dol position, Dept anxious make precise estimate Span balance payments and hopes it may be possible obtain requisite info from Span Govt. (Deptel 260 Oct 5.) [4]

WEBB

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[3] Neither printed.
[4] Not printed.
[5] None printed.

No. 404

752.5-MSP/12-3151: Telegram

The Ambassador in Spain (Griffis) to the Secretary of State [1]

SECRET MADRID, December 31, 1951—4 p.m.

669. For State and MSA. Personal for Bissell from Porter. Amb and I believe it wld be desirable to proceed promptly with estab MSA mission to Spain. We recommend that a chief of mission be selected as soon as possible to have responsibility for negotiating and administrating MSA aid program and attendant conditions on basis Sufrin report.

We believe primary qualification of mission chief shld be that he is an effective administrator, preferably with business experience. He shld be tough-minded and skillful in dealing with people. If early appointment of permanent mission chief does not seem feasible, we suggest deputy be designated who cld serve as acting chief until permanent chief arrives. We contemplate small mission which wld include officers concerned with program, food and agriculture, industrial production and comptroller. Industrial production officer wld probably require one asst each for coal, electric power, non-ferrous metal mining and transportation. Pending decision as to how info activities in Eur will be handled in future, recommend that info services for MSA mission be provided by Emb info staff. Program officer shld be generally qualified in field of fin trade. Upon my return to Paris will review available personnel for prospective assignment and will communicate with you further. Recommend that we plan to have at least nucleus of mission in Madrid by end Jan.

If State and MSA concur, suggest negotiation of bilat agmt proceed forthwith under Amb's direction. At his request I wld detail member of OSR general counsel office to Madrid temporarily to assist in these negots.

While neither Amb nor I have as yet read whole of Sufrin report, [2] we have carefully gone over its summary and other parts which Sufrin himself wrote. We regard it in its main conclusions as an excellent document and believe that it shld be accepted as definite *modus operandi* for aid program of whatever size may be decided upon. Emb believes Sufrin report shld be bible of MSA operations, and that on basis of it we shld now proceed with plan of action. I concur in this view. [Porter.]

GRIFFIS

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[1] Repeated to Paris.

[2] This report has not been identified further.

INTEREST OF THE UNITED STATES IN VARIOUS POLITICAL DEVELOPMENTS AND RELIGIOUS AND ECONOMIC REFORMS WITHIN SPAIN

No. 405

752.00/2-2351: Telegram

The Secretary of State to the Embassy in Spain [1]

SECRET WASHINGTON, February 23, 1951—7 p.m.

539. Brit Emb states FonOff understands Franco may sound out US and UK Ambs re attitudes their govts if he "broadens base" his regime. FonOff thinks this maneuver connected Franco's negots with Monarchists since it is informed Franco may meet soon with Don Juan. [2] Brit believes maneuver cld have two purposes: 1) favor Monarchists over other opposition groups thus possibly driving latter into hands Commies; 2) involve US and UK Embs in domestic Span polit intrigues.

FonOff instructing Brit Amb, if approached, give no indication type regime UK wld like see estab Spain and restrict his remarks to saying simply Brit Govt wld like see Spain play its full role Western Eur community but believes this will be difficult unless regime is "liberalized".

FonOff instructed Emb ask us instruct Amb Griffis similarly, in interest maintaining common policy re Spain, informed Emb we had no info this subj but wld inquire. Please advise.

ACHESON

[1] Drafted by Dunham, cleared and initialed over Secretary Acheson's signature by Williamson, and repeated to London.

[2] Pretender to the Spanish Throne.

No. 406

752.11/7-1151: Telegram

The Chargé in Portugal (Maddox) to the Secretary of State [1]

SECRET LISBON, July 11, 1951—1 p.m.

19. Deptel 15, July 10; Madrid 45 June 23. [2] In conversation with Xanthaky [3] last night, Spanish pretender flatly denied story that Spanish Amb Nicolas Franco, or any other representative of Caudillo, has proposed to him that he renounce rights in favor of his son.

[1] Repeated for information to Madrid.

[2] Neither printed.

[3] Theodore Xanthaky, Special Assistant to the Ambassador in Portugal.

According to pretender following is genesis stories circulating Madrid: Last month Franco apparently remarked at close of Cabinet, members (Don Juan specifically mentioned Artajo, Giron and Fernandez Cuesta) launched trial balloon at latter's social gathering by insinuating story in question. "Although," says pretender, "this would be facile solution from Franco viewpoint, they obviously would not have temerity to make such proposal to me as they know full well its rejection would be foregone conclusion". In Don Juan's opinion, therefore, July 18 will come to pass without, as rumored, Franco indicating his successor.

Pretender has also heard that Dr. Duarte, Franco's physician, wishes Caudillo to undergo gallstone operation and that operating room actually being installed in Pardo, but matter not urgent and Franco still undecided. Concerning rumors structural changes in Spanish Govt, pretender discounts these entirely stating not in Franco's nature delegate power and furthermore that when former Cabinet Minister Larraz recently made such suggestion to Franco, latter promptly changed subject. Pretender inclined believe Franco now banking very heavily on mil and econ aid from US to bolster his prestige and if this should be forthcoming he will continue stalling tactics and postpone practical consideration matter of succession indefinitely.

MADDOX

No. 407

852.413/6-1051

The Secretary of State to the Ambassador in Spain (Griffis) [1]

CONFIDENTIAL [WASHINGTON,] August 10, 1951.

DEAR STAN: As you know, we expect shortly to follow up conversations which you and Admiral Sherman had with General Franco by the dispatch of a military mission to undertake appropriate surveys and technical discussions with the Spanish authorities. The results which we anticipate will flow from these discussions prompt me to write to you about the continuing concern here over the religious problem in Spain which was the subject of your letter of last April to the President. [2]

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[1] Drafted by Bonbright and cleared by Williamson.

[2] Acheson was referring here to despatch 1203 of April 6, in which Ambassador Griffis informed President Truman that during his interview with Franco on March 15 he had raised the issue of religious freedom for Protestants in Spain in strong terms and had received assurances from Franco "that interpretation Spanish law on

Continued

The question of religious liberty in Spain can be very important for us. You may recall, for example, that the restrictions recently placed on Protestant activity in Italy aroused serious protests in Congress and elsewhere, including demands by members of Congress to terminate aid to Italy.

The situation affecting religious minorities in Italy and Spain are analogous. As our Spanish policy develops, the question of religious liberty is bound to arise just as it did in Italy and may delay our plans.

I know how hard it is to make progress in this field in the face of the existing laws and the weight of Spanish tradition. On the other hand, progress must be made if we are not to run into serious difficulties. I believe that you scored an excellent point in telling Franco that if there were only five Protestants in Spain, they should have the same rights of religious freedom as any other Spanish citizen. Whether the Generalissimo agreed with you or not, he has provided the basis for action by assuring you that orders would be issued permitting non-Catholic services which do not disturb the peace. If we can demonstrate that progress has been made since your talk with Franco by actual changes in the orders to provincial officials and by evidence of more liberal treatment, it will be of the greatest value in heading off inevitable criticism.

As you know, the President is deeply interested in this question and I hope that you can find an early opportunity to follow up Franco's assurances to you which enable you to report progress in this difficult field.

Sincerely yours,

DEAN ACHESON

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non-Catholic religious services must be greatly broadened including full right of any non-Catholic services which did not disturb the peace." Ambassador Griffis had assured the President "that I intend to follow the matter of religious toleration here with the closest attention." (852.413/4-651) In reply to Acheson's letter, Ambassador Griffis on August 25 informed the Secretary that he was continuing to investigate instances of religious intolerance in Spain, but that his work was hampered by the absence of key Protestant leaders and the multiplicity of Protestant sects. (852.413/8-2551)

No. 408

752.00/9-551: Despatch

The Chargé in Spain (Jones) to the Department of State

SECRET MADRID, September 5, 1951.
No. 229

Subject: Opposition: Spanish Pretender's Letter of July 10 to General Franco

On July 10, 1951, Don Juan, the Spanish Pretender, addressed a long letter to General Franco in which he criticized the performance of the Franco regime and urged the restoration of the monarchy. This letter was mentioned and commented upon in the Embassy's Despatch 155 of August 11, 1951 and its text . . . was transmitted to the Department as an enclosure to Despatch 204 of August 27, 1951. [1] The purpose of this despatch is to set forth the circumstances under which the letter was written and to attempt to evaluate more fully its significance and possible consequences.

Background of the Letter

The Pretender's letter did not come as a surprise. It arose out of a series of circumstances which go back at least as far as January 1951. At that time, emissaries were traveling back and forth between Don Juan and Franco in an effort to achieve an understanding between the two. Franco reportedly proposed that the Pretender publicly renounce his leftist support, declare himself an adherent of the movimiento and subsequent political developments in Spain, and lend his name to the appointment of three monarchists (undoubtedly pro-Franco) to the Cabinet. In return, Franco presumably assured Don Juan that he would be named the Caudillo's successor. Don Juan would not agree to this, and the interchange apparently broke off when the series of strikes began in Barcelona in March. The Pretender's advisers urged him not to continue the discussions with Franco while the internal economic situation, and the public manifestations based upon it, seemed to be leading the regime to disaster. It was the hope of the organized opposition within Spain (the C.I.C.—Comite Interior de Coordinación) that when Don Juan spoke, it would be to condemn the Franco regime and to call for the restoration of the monarchy (see Despatch 1279, April 27). [2] Representing as he did the Bourbon dynasty, which traditionally considered the Crown to be above and apart from domestic politics, the Pretender felt he could not take any such action

[1] Neither printed.
[2] Not printed.

during the period of the strikes without being accused of involvement in internal intrigues. Hence, he abstained from writing to Franco before or immediately after May 22, the date of the last public manifestation against the regime (Embassy Despatch 1440, May 31, 1951). [3] The eventual issuance of the letter on July 10 was due principally to pressures brought by the C.I.C., working in conjunction with Don Juan's advisers in Estoril.

What also may have prompted Don Juan to address Franco personally were the rumors in June of his possible abdication in favor of his eldest son Juan Carlos. The rumors were to the effect that Don Juan would abdicate on or about July 18 and Franco would proclaim Juan Carlos as his successor; the boy (now 13) would mount the throne on his 30th birthday, viz. upon reaching eligible age under the Law of Succession. Franco meanwhile would act as regent. These reports probably originated in the Pardo (Franco's residence), for they certainly did not come from Don Juan. In one of his Cabinet meetings during this period, Franco is said to have brought up the question of his succession, declaring that Don Juan was unacceptable because of his leftist contacts and that on July 18 he would designate Juan Carlos as his eventual successor. The Generalissimo may have been preoccupied by the necessity of an operation in the not too distant future, or he may have been trying to split his monarchist opposition, or he may have wished merely to impress the United States with his good intentions; perhaps all three thoughts were in his mind. A leading monarchist in Madrid has stated that Franco did not follow through with his plan on July 18 because he concluded it was too strong a measure to take against Don Juan at this time, deciding instead on a change in Cabinet more superficial than real. When the Pretender got wind of the rumors about his abdication, he immediately despatched his private secretary, Ramon Padilla, to see the Chief of Franco's Civil Household, the Marques de Santillan, and to inform him that he, Don Juan, never having had a difference of opinion with the Spanish people, saw no reason to abdicate and had no intention of doing so.

These rumors, combined with the other considerations mentioned above, may have persuaded Don Juan to clarify his position in a letter to Franco, timed so as to coincide more or less with the celebration on July 18 of the anniversary of the Nationalist Revolution.

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[3] Not printed.

Timing of the Letter

Except for the idea, which was a clever one, of making the letter a sort of "regalito" (little gift) to Franco just as he was about to celebrate the glorious accomplishment of his regime, the timing of the letter was, in general, very bad. In the first place, through the rumors on Don Juan's abdication, the regime had succeeded in causing a greater split among the monarchists, between those adhering to Don Juan and those (the more conservative) who prefer to skip over Don Juan because of his alleged "liberalism". Secondly, by July 10 the turn which American policy had taken toward Spain had already begun to re-enforce the regime and was in a few days to re-enforce it immeasurably more through the arrival of the Senate Foreign Relations Subcommittee (on July 12) and the arrival of Admiral Sherman (on July 16). These events were played up in the Spanish press and radio for all they were worth. Franco could afford, at least for the time being, to stuff Don Juan's letter into his pocket and ignore what the Pretender had to say. And this, evidently, is exactly what he did.

If Don Juan's letter had been sent after July 10, the timing would have been still worse, for the international situation and particularly the course of United States-Spanish relations were running in the regime's favor. The fact is that, for maximum effectiveness from the opposition's point of view, the letter came too late. It would have had greater impact in June—that is, after the last public manifestation of May 22 and well in advance of the visit of the American Senators. The opposition was either too slow in drafting the letter, or miscalculated the speed with which the United States would implement its policy of economic and military aid to the Spanish Government.

Significance

Because it came too late, Don Juan's letter to Franco lacked the effectiveness which it might have had at an earlier date. Nevertheless, it is an important document, if for no other reason than that it indicates the Pretender has bestirred himself. It is important because of the manner in which it was presented, the language and reasoning employed, and the implied warning of what might occur if the letter is ignored.

The letter was despatched by Don Juan from Estoril, Portugal on July 10 and was received by Franco on July 12. Very few copies were made of the text, and publicity was avoided. Even its existence was a well-kept secret between July 10 and about August 4 when it was shown to the *New York Times* correspondent Sam Pope Brewer, then in Portugal. At no time were copies of the text sent to foreign chanceries or inside Spain—not even to Don Juan's

spokesmen in Madrid. On the surface, it was a personal communication of an outstanding Spanish citizen to the Chief of State on matters of mutual interest. Franco could not accuse Don Juan of a cheap propaganda gesture.

The wording of the letter is modest, polite, dignified, and reasonable. It engages in a little flattery and assumes Franco is sincere and patriotic. Franco cannot complain that it is a bitter and distorted tirade, or an ultimatum.

While not brusque, the letter is lucid and firm in tone. Don Juan makes it clear that he is not renouncing his rights to the throne and that he is not in accord with the regime's handling of the economic crisis, administrative corruption, and Spain's international isolation. He maintains that modifications are necessary in the form of the restoration of the monarchy and should not be postponed any longer.

Don Juan reveals himself to be a good bit smarter than he was in his manifesto of 1945. He uses arguments which are more appealing than those of six years ago. He favors outside aid (coupled with internal reforms), and advocates private enterprise. While expressing concern for the lot of the middle and laboring classes, and while calling attention to the split between large sectors of public opinion and government bodies, he does not make the mistake which he made in his manifesto of 1945, when he advocated immediate free elections and suggested the separation of Church and State. These latter made him vulnerable to the charge that he was "*muy rojo*" (very red). In this instance he avoids such a charge by keeping silent about the Spanish Church and free elections and by using countervailing arguments. Don Juan assures Franco of his identification with the National Movement, "to the service of which he twice volunteered".* This is clever, for one of Franco's talking points has been that Don Juan does not qualify under the Law of Succession because he does not adhere to the principles of the National Movement.† To dispel further the notion that he is "*rojo*" because of his ties with the Left, Don Juan says: "I have carefully avoided identifying the Crown with any partisan move-

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* Don Juan made it clear, however, that he did not agree with the Movement's subsequent development. [Footnote in the source text.]

† Article 9 of the Law of Succession says: "The Head of State shall . . . take the oath to the Basic Laws of the Nation and to the principles of the National Movement."

Article 13: "The Head of State . . . may propose to the Cortes the exclusion from the Succession of those royal persons who lack the necessary capacity to govern or who, by their notorious swerving from the basic principles of the State, or by their acts, deserve to lose their rights to succession under this Act." [Footnote in the source text.]

ment and for this reason I may solemnly declare that my hands are free from any bonds or pacts for the future."

This statement raises the interesting question whether the Pretender is not going so far as to disown his leftist support in the C.I.C. The Secretary of the C.I.C. assured an officer of the Embassy on August 31 that this is not the case. He said that he had consulted with the clandestine trade union representatives in the C.I.C. and, only a few days previously (August 26), with Saenz Rodriguez, Don Juan's adviser in Estoril, and their interpretation was quite the opposite. They considered these remarks of Don Juan as strictly political, designed to disarm Franco, and did not think they affected in any way the understanding between the Pretender and the C.I.C. They reasoned that Don Juan, as he himself indicates in his letter, has preserved the traditional concept of the Crown as an entity above and apart from domestic politics and intrigues. They pointed out that even in his letter Don Juan said that he was aware of monarchist activity within Spain and gave implied approval to the activities of the C.I.C. Even if the opposition within Spain were uncertain of Don Juan's meaning, Saenz Rodriguez should know, since he was probably one of the principal drafters of the letter. Saenz Rodriguez is believed to be the author of another document . . . which further indicates that the Estoril monarchists and Don Juan continue to be identified with the program of the C.I.C. An English translation of this document is enclosed.

Perhaps the most significant aspect of the letter is Don Juan's implied warning of what might happen if Franco ignores the contents of the letter and takes no positive step soon toward the evolution of his regime. He speaks of "agitation which has broken out in all sections of Spanish life, including the armed services", and says in his last substantive paragraph: "If History, some day, says that Spain reached one of its greatest crises because an agreement between your Excellency and myself was not reached, or not even seriously attempted, I will have to declare that I gave warning of the danger while there was still time, and that I offered myself to the task wholeheartedly." What the Pretender seems to be concerned about is what he is convinced is an atmosphere of growing tension, desperation, and resentment against the regime which will make a moderate change-over more and more difficult; this change-over may not be immediate, but it must come someday, and in Don Juan's opinion Franco should take the necessary steps now so as to minimize the possibility of future violence.

Possible Consequences

Franco will probably continue to do what he has apparently done to date—keep the letter tucked in his pocket, inform no one of its

contents, and take no action regarding it. He may figure that, fortified with American economic and military aid, he need make no concessions to his political opposition. On the other hand, he may realize that Don Juan's letter is not the sort of communication he can completely ignore, that the recent Cabinet change was not a sufficient change in orientation, and that some further step toward an understanding with the Pretender would be advisable.

A lot of people, Spaniards and foreign observers alike, thought that Don Juan lacked the initiative and fortitude to do anything. The mere fact that he sent a letter to Franco—written, moreover, in firm language—suggests that perhaps he can be induced to go further. Up until the present date, to the knowledge of the Embassy, there has been no second letter, as there has been no reply from Franco, newspaper stories to the contrary. Don Juan is on his yacht along the Italian Riviera (at Rapallo according to the latest report), but is expected back in Estoril in a week's time. The Pretender's immediate advisers, in conjunction with the C.I.C., then hope to persuade him to send a letter to all the generals and bishops within Spain along the lines of the first letter to Franco. These advisers anticipate that the Caudillo's prolonged silence will operate against him. Depending upon the effect of the second letter, Don Juan, it is hoped, will thereupon make a public declaration from Estoril which will be circulated within Spain by the opposition. As can be seen, much of this strategy depends upon Don Juan, about whom there are still considerable doubts (see Despatch 1279, April 27, 1951).[4] If this strategy, which is described as that of "political strangulation", unfolds as planned, public manifestations are not likely to be perpetrated by the organized opposition within Spain except as a last resort. Progress in this respect for Don Juan and his supporters may depend a great deal on the outcome of pending negotiations between the United States and the Franco regime. If American economic and military aid does not materialize to the degree expected, there might be a psychological let-down for the regime which may cause the opposition to slough off its discouragement and enable it to utilize some of the popular discontent manifested last spring.

For the Chargé d'Affaires, a.i.:
DANIEL V. ANDERSON
First Secretary of Embassy

[4] Not printed.

No. 409

752.13/10-1551: Despatch

The Special Assistant to the Ambassador in Portugal (Xanthaky) to the Department of State [1]

CONFIDENTIAL LISBON, October 15, 1951.
No. 280

Subject: Spanish Pretender, Don Juan: His Letter of July 10, 1951 Addressed to Generalissimo Franco [2]

Over the weekend I resumed my periodic conversations with Don Juan, the Spanish Pretender. It was our first encounter since July 11 (Embassy Telegram under reference [3]), he having been absent from Portugal most of the summer and I having just returned to Lisbon after a month's vacation. Don Juan told me that he had been extremely annoyed about the "leak" to the press of his letter dated July 10 addressed to Generalissimo Franco, a summary of which was reported in the *New York Times* of August 5, under a Lisbon date line, by Sam Pope Brewer, Madrid correspondent of the *Times*. The Pretender explained that he had personally handed that letter to Nicolas Franco, the Spanish Ambassador here, for delivery to his brother on the same day he last saw me, it being understood between them that the contents would be kept highly confidential. Don Juan mentioned that that was the reason why he did not inform me of the letter at the time. It was while he was in Tangier, he said, that he learned of Brewer's "scoop" and added that the latter had done him a disservice as the effect was prejudiced by the premature publicity. The Pretender said that he had endeavored to get at the bottom of the "leak" and that his Madrid agents had informed him that Brewer had obtained a copy of the letter from the American Embassy in Lisbon. I told Don Juan emphatically that that was of course nonsense, first, because the Embassy did not have a copy of the letter, and, second, because obviously it was not the Embassy's practice to make secret documents available to press correspondents. The Pretender said he was convinced of this and that he had recently come to the conclusion that one of his advisers, Saenz Rodriguez, who had seen Brewer in Lisbon several times last July, in a moment of indiscretion had allowed the latter, who is said to harbor anti-Franco sentiments, to read the letter in question.

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[1] Copy sent to Madrid.
[2] Regarding this letter, see despatch 229, *supra*.
[3] See telegram 19 from Lisbon, Document 406.

The Pretender then told me about ten days ago he had received a lengthy communication from Franco in reply to his letter of July 10 but regretted that for the time being he could not show it to me. I believe that Don Juan's reluctance is due to the fact that, among other things, the Caudillo in his reply dwelt upon his present negotiations with the United States. I gained this impression from Don Juan's statement that the Caudillo was apparently willing to grant us military facilities based upon substantial *quid pro quos*. "I of course would do the same thing and you can't blame him for that," Don Juan commented. The Pretender did state, however, that Franco's message indicated a psychological softening of attitude toward him and a definite feeling that under no circumstances does the Generalissimo desire to cast him aside. "For example", said Don Juan, "the Caudillo replied to every one of the issues raised in my letter of July 10 including my remarks on abdication of my rights. The Caudillo stated that he was only touching on that point because I myself had raised it and that of course there was no truth in the stories that he, Franco, had ever made such a suggestion." Don Juan also mentioned that Franco's reply to his July 10th observation that graft in Spain had reached scandalous proportions was to the effect that such criticism is always greatly exaggerated by any political opposition and that while corruption, to a greater or lesser degree, was common in practically all governments it was probably more prevalent in the United States, the greatest of all democracies, than anywhere else. Concerning the likelihood of his meeting again with Franco, which has been under consideration for some time, the Pretender said that there is still a possibility that it may take place. Franco, he stated, still desires it but he, the Pretender, continues adamant in establishing beforehand a concrete basis for discussion which, he added, Franco is still endeavoring to sidestep. Nevertheless, concluded the Pretender, the matter continues in the *pour parler* stage.

THEO. A. XANTHAKY

No. 410

852.062/11-2051

The Counselor of Embassy in France (MacArthur) to the Ambassador in Spain (Griffis)

SECRET PERSONAL PARIS, November 20, 1951.

DEAR MR. AMBASSADOR: I enjoyed very much our conversation last Saturday morning. I agree most whole-heartedly with you that

the policy of all the Western democratic powers should be aimed at integrating Spain firmly into the family of Western democratic powers. This, as we all know, is made extremely difficult primarily because of the opposition of the Socialist Parties in the other European countries. I am convinced in my own mind that this opposition stems less from Socialist ideology than from the bitter hostilities of the European trade unions to the Franco regime—an opposition which is shared by organized American labor. In other words, organized labor is opposed to any evolutionary policy vis-à-vis Spain unless and until the Spanish Government undertakes reforms and particularly reforms in the labor field.

As you know, the old Spanish trade union leaders have been living in exile since the Spanish Civil War. They have been financially supported to a very considerable extent by their European and American trade union colleagues. I am convinced from conversations which I have had with American and European labor leaders that, if we could get Franco to do something about this situation, we would perhaps be taking a first and most important step leading to Spain's acceptance by her European neighbors. I am, therefore, setting forth for your consideration the following steps, which Franco might be induced to take in full or in part:

1. Replace the present Falangist Minister of Labor with a more liberal and non-Falangist Minister.
2. After step one above, the Spanish Government allow the Spanish trade unionists in exile to return to Spain with a guarantee or agreement that they will not be persecuted for their previous political or trade union activity.
3. Give consideration (and this might be difficult if not impossible) to permitting the establishment of non-political trade unions in Spain. You will recall the Peruvian precedent. When a similar situation existed in Peru, the Peruvian Government finally permitted Peruvian trade unionists in exile to return to Peru and organize non-political unions on the basis of a new Peruvian trade union law which prohibited any direct or indirect affiliation or participation in politics of the so-called free and non-political trade unions. Such a step as this would not fully satisfy either the American labor organizations or indeed some of the European trade unions, but I am convinced that they would think this was a long step in the right direction.
4. Either on the basis of two or three above, or both, the returned Spanish trade unionists might invite representatives of organized American labor to visit Spain and circulate freely, talking to their Spanish trade union colleagues.

From my talks with certain leading representatives of organized American labor, I believe a program along the foregoing lines would take some of the labor heat off the Franco Government. I fully recognize that a program along the lines of the above may be

impossible of acceptance by Franco; but steps in this direction would, in my opinion, be the best evidence of an indication on Franco's part to liberalize his regime in a practical way. I have talked to Cy Sulzberger and other people who are interested in Spain along the lines of the above. Cy, I know, intended to talk to you about this while you were in Paris.

In conclusion, may I express the hope that you will forgive my temerity in writing you about matters which are far beyond the scope of my present job. I do believe, however, so firmly in the necessity of doing everything we can to see Spain integrated solidly into the community of Western democratic nations, that I have taken the liberty of putting down these thoughts on paper for whatever they may or may not be worth.

With every good wish,

Sincerely,

DOUGLAS MACARTHUR II

SWEDEN

No. 411

Editorial Note

Sweden's policy regarding diplomatic neutrality during 1951 was reviewed by Ambassador W. Walton Butterworth in despatch 497 from Stockholm, December 20. The despatch traced the policy through two distinct phases in the early and late months of the year and closed with these words: "During 1951, Sweden appears, largely as the consequence of a vast US rearmament program extending to the military build-up of Western Europe, to have adopted an increasingly confident tone in official statements concerning Sweden's will and ability to defend herself. Notwithstanding the somewhat offensive posturing accompanying this change of tone, the fact remains that Sweden's will to resist attacks or intimidations was increased and Sweden's anti-Communism assumed more material forms. . . . On the debit side of the ledger, it is believed that the very affirmative character of recent official statements, suggesting entire satisfaction with current policy and calling for the strict preservation of neutrality, could have less fortunate implications for Sweden's western neighbors. Of late, these implications have been discussed in unusual detail in the Swedish press—which may have the effect of forcing increased attention on this critical issue, although typical Swedish languor in foreign policy affairs forbids indulgent speculations. Meanwhile Sweden's spirit of independence implies a disposition to continue its cooperation on an even more covert basis with the West on matters of politico-strategic interest.

"One must conclude on a note of caution: the trends discernible during 1951 may well be short-lived since it may be confidently surmised that the color of Sweden's neutrality will be assumed, chameleon-like, from the unpredictable events of the outer world." (758.00/12-2051)

The Special ECA Mission in Sweden was terminated in November on Sweden's decision not to request conditional economic assistance from the United States in fiscal year 1951-1952. Formal notification of this action was given to Swedish Foreign Minister Osten Unden in a letter dated July 30 from William C. Foster, Administrator of the Economic Cooperation Administration. The letter and

related documentation on the ECA program in Sweden and arrangements for the termination of the Special Mission are in file 103–ECA.

Further documentation on Sweden is printed in various regional compilations. For documentation on Sweden's attitude toward the political and economic integration of Western Europe, see Documents 1 ff. For documentation on the attempts of the United States in 1951 to convince Sweden to adopt parallel policies regarding trade with Eastern Europe and the Soviet Union, see volume I, pages 993 ff.

SWITZERLAND

POLICY OF THE UNITED STATES WITH RESPECT TO SWITZERLAND [1]

No. 412

S/P-NSC files, lot 62D1, Switzerland

Draft Statement of Policy by the Department of State [2]

TOP SECRET [WASHINGTON,] November 7, 1951.

THE POSITION OF THE UNITED STATES WITH RESPECT TO SWITZERLAND

PROBLEM

1. To assess the importance of Switzerland to United States security interests and to determine what measures the United States should take to bring Switzerland's position of military, economic

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[1] For previous documentation on this subject, see *Foreign Relations*, 1950, vol. III, pp. 1584 ff.

[2] The source text bears the notation "For NSC Staff consideration only." It was transmitted to the NSC Staff under cover of a memorandum by Charles E. Bohlen, the Department of State Member of the NSC Senior Staff, which stated, *inter alia*:

"It has been the opinion for some time in the Department of State that without jeopardy to Switzerland's historic status of neutrality, there are policies available to the United States which would increase the probable effectiveness, in favor of the NATO community and the West in general, of Swiss potential in case of general war with the Soviet Union."

Attached to the source text in addition to a copy of Bohlen's memorandum was a memorandum by James S. Lay, Jr., Executive Secretary of the NSC, calling for early consideration by the Senior Staff.

According to two other memoranda in the same folder with the source text, dated November 7 and 8, both from the Office of the Counselor of the Department of State, this draft statement was prepared in the Bureau of European Affairs and had "run into difficulties in certain areas of the Government, i.e. the Munitions Board based upon the attitude that 'if Switzerland is not with us, it is against us.'" Another memorandum, dated November 9, from Walter Walmsley of the Counselor's Office to James Bonbright, the Assistant Secretary of State for European Affairs, indicated that the Joint Chiefs of Staff, while not quarreling with the general objective of the statement, could not concur in any decision to give priority to Swiss military needs ahead of NATO forces. The Joint Chiefs were also reluctant "to assist the Swiss so long as the Swiss would employ such assistance only if they themselves" were attacked. Regarding the revision of the draft statement by the Senior Staff and its further consideration by the NSC, see the draft statement of policy, *infra*.

and democratic strength into relationship with the common defense effort of the free European community.

ANALYSIS

2. As it is in the interest of United States security that full use be made of all available European resources in the common defense effort, the United States should review the possibility of relating the strategic position of Switzerland, its military and economic strength, and the democratic spirit of its people to the common defense effort.

3. The preservation of free democratic countries, such as Switzerland, is a basic objective of the United States and Switzerland's geographic position exposes it to the danger of Soviet attack in the event of war in Europe. Strengthening Switzerland's ability to defend itself would further this objective.

4. Swiss defensive capacities have three areas of weakness: (1) certain inadequacies in the equipment of its armed forces; (2) the difficulty of supplying a land-locked country; and (3) the absence of coordination between Allied and Swiss military planning.

Strategic Position and Military Strength

5. By virtue of its geographic position Switzerland is of strategic importance to the defense of Western Europe and therefore of security interest to the United States. If Swiss territory were violated by a Soviet attack across the Swiss plateau designed to outflank an Allied position along the Rhine, the Swiss armed forces would bear the brunt of the defense of what would thereby have become the common right flank. The Swiss Alpine redoubt lies across several of the mountain passes which give access to Italy from Germany.

6. Switzerland is at present one of the strongest and best prepared countries in Western Europe, capable of mobilizing its half million combat troops within 24 hours. Although Switzerland's population is only 4½ million its militia system is capable of mobilizing armed forces totalling 818,000, including rear-area troops and local guards, within 72 hours. Combat troops are organized into 9 divisions, 24 specialized brigades, and an airforce of some 10,000 officers and men with 480 aircraft currently available for combat, of which 92 are modern British jets and 90 United States F–51's.

7. Present defense plans, described October 15, 1950 in a speech by the Director of the Swiss Military Department, call for a three-stage resistance; at the frontier, on the plateau between the Jura and the Alps, and, only as a last resort, in the Alpine redoubt in southern Switzerland. All militarily important installations in abandoned areas are to be systematically destroyed. This is a significant revision of the World War II plan which provided for aban-

donment of the frontiers and the plateau, after delaying action, and withdrawal at an early stage into the redoubt, from which the main resistance was to be offered. Defense of the plateau is, of course, a much more difficult task than defense of the highly mountainous redoubt. This revision was made in the light of the treatment which the Swiss population, largely concentrated on the plateau, might expect to receive at the hands of a Soviet occupying army.

8. The Swiss army would fight resolutely in defense of Swiss territory. Its effectiveness under the present circumstances, however, is limited by certain equipment deficiencies, by the supply difficulties of a land-locked country and by the absence of prior coordination in military planning with the powers upon which Switzerland would call for military assistance in the event of attack.

9. Swiss army equipment is deficient in long-range antitank weapons and radar. As it would not be feasible to manufacture this material in the country, the Swiss Government is endeavoring to purchase it in the United States, offering payment in hard currency. In order to meet its defense needs, Switzerland launched an extraordinary national defense program in 1950, involving projected expenditure of $865 million over the next 5 years. Some $329 million are earmarked for the acquisition of modern equipment. This program is financed on a pay-as-you-go basis through substantially increased taxation, and has been undertaken without foreign aid. Defense allocations amount to 38 percent of the total federal budget for 1951. While the Swiss budget allocation to defense is not strictly comparable to the allocations to defense of some of its neighbors who have experienced military occupation and the destruction of war (e.g. Belgium 17% and the Netherlands 24% respectively of their 1951 budgets), the allocation to defense this year of 38% of the budget of the confederation is nevertheless convincing evidence of the Swiss determination to build adequate defenses.

10. In an effort to overcome its vulnerable supply position, Switzerland is carrying out an accelerated raw material and food stockpiling program and has intensified measures to attain, in the event of war, as high a degree of economic self-sufficiency as possible.

11. During the last war, the Swiss Army readied plans for coordinating its defense efforts with the Allies, in the event Switzerland were attacked by the Axis powers; these plans were not, however, to be made available to the Allies in advance of an Axis attack. The inadequacies of such uncoordinated planning were demonstrated to the Anglo-French command at the time of the German attack on Belgium in 1940.

12. It is understood, of course, that the present Swiss concept of neutrality would limit the maximum cooperation obtainable prior

to attack, or the obvious imminence of one, to agreement on joint plans which would be effective only if and when the Swiss determine that they should be implemented. Coordination prior to an attack would, however, greatly enhance the value of the Swiss defense efforts, to both Switzerland and the Western Powers.

Policy Against Alliances

13. The Swiss Constitution expressly enjoins the Federal Government "to maintain (Swiss) independence and neutrality". This is interpreted as prohibiting political or military alliances. The constitutional provisions express a national policy which is deeply and firmly rooted in Swiss life and which has, moreover, proved effective in maintaining national independence for well over a century. Any departure from this national policy of neutrality will occur only from independent Swiss decision; outside pressures are far more apt to retard, not to facilitate, a movement away from strict neutrality.

14. Definite possibilities exist, nevertheless, of inducing Switzerland to take practical steps, looking to closer cooperation with the Western Powers, through a more flexible interpretation of its policy of neutrality, the purpose of which is, after all, the eminently realistic one of preservation of national independence.

The Swiss, moreover, recognize the USSR as the only potential aggressor in Europe. Switzerland's official neutrality in no way implies indifference to the outcome of the struggle between the West and Soviet communism. The Swiss regard themselves as belonging not only geographically but ideologically to the West; and the temper of Swiss official and public opinion is over-whelmingly pro-Western and anti-communist. There is no internal communist threat.

15. The Swiss concept of neutrality has, in fact, shown signs, during the past few months, of becoming less inflexible. This has been particularly true in respect to the problem of East-West trade. In response to United States representations, Switzerland in July 1951 adopted controls over the export of strategic items, atomic energy materials and munitions to the Soviet bloc substantially similar to those enforced by countries members of the Coordinating Committee for Export Controls.

16. Switzerland has also introduced a stringent export-import control system designed to prevent transshipment or diversion of United States strategic goods to the Soviet bloc via private Swiss intermediaries.

17. As further evidence of Swiss willingness to interpret their concept of neutrality in favor of the West, the government has been willing to make exceptions in favor of the United States and

other NATO countries in the neutrality ban on arms exports whereas it does not licence any weapons for export to the Soviet bloc.

18. Switzerland's policy of neutrality does not arouse any particular opposition on the part of the European members of NATO, such as the UK and France, but appears to command their respect and sympathy to a considerable degree.

Economic Position

19. Switzerland has an exceptionally strong economy. There is virtually no unemployment. The main difficulty facing Swiss industry is that of obtaining an adequate supply of raw materials, practically all of which must be imported.

20. Although Switzerland itself needs no ECA aid and has received none it has been a member of the Organization for European Economic Cooperation since its inception. In 1950 the Swiss also joined the European Payments Union. Switzerland's economic ties are overwhelmingly with the non-communist world.

21. Switzerland's industry is making a growing contribution to the defense production programs of the NATO countries. It is manufacturing rockets, airplane cannon and other weapons in addition to supplying machine tools for the manufacture of time fuses, gears, precision instruments and other materials for the rearmament efforts of the United States and other NATO countries. This area of cooperation is susceptible of appreciable enlargement, and could provide additional industrial facilities for overcoming critical deficiencies in our defense production programs.

CONCLUSIONS

22. The United States should seek to bring Switzerland's position of military, economic and democratic strength into relationship with the common defense effort of the free European community.

23. In seeking this objective the United States should be guided by the following considerations:

a. If the Soviets attacked across the Swiss plateau in an effort to outflank an Allied position on the Rhine, the Swiss army would bear the brunt of the defense of what would thereby have become our common right flank.

b. The Swiss army is presently one of the strongest in Western Europe, there is no internal communist threat and the population is devoted to its traditional democratic ideals.

c. Swiss defensive capacity is, however, limited by certain inadequacies in the equipment of its armed forces, the vulnerable supply position of a land-locked country and the absence of coordination of Swiss war plans with those of the Western Powers.

d. The Swiss are ready and willing to pay hard currency for the military equipment they require.

e. Switzerland's policy of neutrality is so much an article of national faith that Swiss participation in formal collective security arrangements is unlikely and pressure on Switzerland to enter into such arrangements would not be productive at this time.

f. Definite possibilities exist on the other hand of inducing Switzerland to take certain practical steps looking to closer cooperation with the Western Powers, through a more flexible interpretation of its policy of neutrality, because that policy has as its practical purpose the preservation of national independence and Switzerland is not neutral in its attitude toward Soviet communism.

g. Switzerland's economic strength, the alignment of its economy with that of the West and its increasingly cooperative commercial policy make its economic influence beneficial to our security interests in Western Europe.

h. Industrial potential is available to meet deficiencies in the defense production programs of the NATO countries, particularly if Switzerland is enabled to import the necessary materials.

RECOMMENDATIONS

24. The United States should:

a. Make it possible for Switzerland to receive reimbursable military assistance from the United States Government and accord priority assistance to enable Switzerland to purchase military equipment on the commercial arms market in the United States.

b. Not now attempt to persuade Switzerland to enter into formal collective security arrangements.

c. Attempt, on the other hand, to expand the area of Swiss cooperation with the common defense effort of the free European community by pointing out to the Swiss that extension of United States assistance will be facilitated by Switzerland's assumption of corresponding obligations on behalf of the common defense effort.

d. Seek by every available means to convince Switzerland that closer association with the defense effort of the Western Powers is in accord with Switzerland's interest in surviving as a free, democratic nation.

e. Further develop the willingness of private Swiss industry to cooperate in the defense production programs of the NATO countries and explore the extent to which this industry could meet existing critical deficiencies in those programs.

f. Accord Switzerland priority assistance in fulfilling specific orders from NATO countries for military items required to meet critical deficiencies.

g. Make available on a reimbursable basis a greater number of spaces in United States Service schools, other than joint schools and Service academies, for the training of Swiss military personnel.

h. Invite an exchange of views and information through appropriate channels with the Swiss General Staff with the purpose, ultimately, of agreeing on joint defense plans which would be effective in the event Swiss territory is violated by the Soviets or the Swiss determine that an attack is imminent.

No. 413

S/S–NSC files, lot 63D351, NSC 119

Draft Statement of Policy by the National Security Council [1]

TOP SECRET
[NSC 119]

[WASHINGTON, November 20, 1951?]

SWITZERLAND

1. Because of Switzerland's strategic situation, its ability to defend itself is important to the security of the United States.

2. Swiss military, economic and democratic strength is such that closer relationship between Switzerland and the common defense effort of the free European community would be advantageous to the security interests of the United States.

3. Accordingly, the United States should:

a. Make Switzerland eligible to receive reimbursable military assistance from the United States Government (government to government sales) and entitled to consideration on a case by case basis for other supply assistance, including raw materials allocations, on the same basis as other nations whose ability to defend themselves is important to the security of the United States. It is understood that the foregoing does not insure the granting of such assistance

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[1] Attached to the source text were a cover sheet, a note by Lay (indicating that the draft statement, prepared on the basis of the Department of State draft (*supra*), and the enclosed staff study (*infra*) were to be submitted for the consideration of the National Security Council at its next meeting on November 28, and a memorandum by Bromley Smith, a subsequent Executive Secretary of the National Security Council, dated May 2, 1962, which stated that NSC 119, "Position of the United States With Respect to Switzerland," had been rescinded as of that date.

In a memorandum dated November 30 to Acting Secretary Webb, Bonbright noted that the Department of State had proposed "this report to the NSC in order to obtain a positive U.S. Government policy designed to bring Switzerland's military, economic and democratic strength into closer relationship with the Western European defense effort." (S/S–NSC files, lot 63D351, NSC 119)

Two earlier drafts of this paper have also been identified, apparently revisions of the Department of State draft, *supra*. The first, dated November 15, was prepared by the Staff Assistants of the NSC and divided the Department of State draft into two papers, a statement of policy and the position of the United States with respect to Switzerland; while the second dated November 19, was prepared by the Senior Staff of the NSC. These two drafts except for minor textual differences are the same as the text printed here and the staff study, *infra*.

On December 5 at its 108th meeting, the National Security Council considered NSC 119 (consisting of the cover sheet, Lay's note, the draft statement of policy, and the staff study), adopted the statement of policy contained therein (NSC Action No. 587), and transmitted the report to President Truman for consideration. On December 11 Lay noted that the President had that day approved the Statement of Policy on Switzerland and had directed its implementation by all appropriate executive departments and agencies of the U.S. Government under the coordination of the Secretary of State. (Memorandum by Lay, dated December 11, S/S–NSC files, lot 63D351, NSC 119)

in any specific case where the meeting of higher priority defense deficiencies would be jeopardized.

b. Make every appropriate effort to expand the area of Swiss cooperation with the common defense effort of the free European community by pointing out to the Swiss that extension of United States assistance will be facilitated by Switzerland's assumption of corresponding obligations on behalf of the common defense effort.

c. Use every appropriate means to convince Switzerland that closer association with the defense effort of the Western Powers is in accord with Switzerland's interest in surviving as a free, democratic nation.

d. Further develop the willingness of private Swiss industry to cooperate in the defense production programs of the NATO countries and explore the extent to which this industry could meet existing critical deficiencies in those programs.

e. Review the allocation of spaces to Switzerland in U.S. Service schools for the training of Swiss military personnel with a view to increasing the allotment where possible.

f. Invite an exchange of views and information through appropriate channels with the Swiss General Staff with the purpose, ultimately, of coordinating defense plans which would become effective in the event Swiss territory is violated by the Soviets or the Swiss determine that an attack is imminent.

No. 414

S/S–NSC files, lot 63D351, NSC 119

National Security Council Staff Study [1]

TOP SECRET
[NSC 119]

[WASHINGTON, November 20, 1951?]

THE POSITION OF THE UNITED STATES WITH RESPECT TO SWITZERLAND

PROBLEM

1. To assess the importance of Switzerland to United States security interests and to determine what measures the United States should take to bring Switzerland's position of military, economic and democratic strength into closer relationship with the common defense effort of the free European community.

ANALYSIS

2. As it is in the interest of United States security that full use be made of all available European resources in the common defense effort, the United States should review the possibility of re-

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[1] Regarding the origin of this paper, see footnote 1, *supra*.

lating the strategic position of Switzerland, its military and economic strength and the democratic spirit of its people, to the common defense effort.

3. The preservation of free democratic countries such as Switzerland is a basic objective of the United States and Switzerland's geographic position exposes it to the danger of Soviet attack in the event of war in Europe. Strengthening Switzerland's ability to defend itself, provided this can be done without detracting from the over-all military posture of the United States and its allies, would further this objective.

4. Swiss defensive capacities have three areas of weakness: (1) certain inadequacies in the equipment of its armed forces; (2) the difficulty of supplying a land-locked country; and (3) the absence of coordination between Allied and Swiss military planning.

Strategic Position and Military Strength

5. By virtue of its geographic position Switzerland is of strategic importance to the defense of Western Europe and therefore of security interest to the United States. If Swiss territory were violated by a Soviet attack across the Swiss plateau designed to outflank an Allied position along the Rhine, the Swiss armed forces would bear the brunt of the defense of what would thereby have become the common right flank. The Swiss Alpine redoubt lies across several of the mountain passes which give access to Italy from Germany.

6. Switzerland is at present one of the strongest and best prepared countries in Western Europe, capable of mobilizing its half million combat troops within 24 hours. Although Switzerland's population is only 4 1/2 million, its militia system is capable of mobilizing armed forces totalling 818,000, including rear-area troops and local guards, within 72 hours. Combat troops are organized into 9 divisions, 24 specialized brigades, and an airforce of some 10,000 officers and men with 480 aircraft currently available for combat, of which 92 are modern British jets and 90 United States F–51's.

7. Present defense plans, described October 15, 1950 in a speech by the Director of the Swiss Military Department, call for a three-stage resistance; at the frontier, on the plateau between the Jura and the Alps, and, only as a last resort, in the Alpine redoubt in southern Switzerland. All militarily important installations in abandoned areas are to be systematically destroyed. This is a significant revision of the World War II plan which provided for abandonment of the frontiers and the plateau, after delaying action, and withdrawal at an early stage into the redoubt, from which the main resistance was to be offered. Defense of the plateau is, of course, a much more difficult task than defense of the mountainous redoubt. This revision was made in the light of the treatment

which the Swiss population, largely concentrated on the plateau, might expect to receive at the hands of a Soviet occupying army.

8. The Swiss Army would fight resolutely in defense of Swiss territory. Assisted by the natural defensive characteristics of the terrain, prepared positions and a loyal populace, it is capable of developing formidable opposition to an aggressor. Its effectiveness under present circumstances, like that of all free European armies, is limited by certain equipment deficiencies and in addition by the supply difficulties of a land-locked country and by the absence of prior coordination in military planning with the powers upon which Switzerland would call for military assistance in the event of an attack. On balance, Switzerland is at the present time more capable of national defense than other free European nations.

9. Swiss army equipment is deficient in long-range antitank weapons and radar. As it would not be feasible to manufacture this material in the country, the Swiss Government is endeavoring to purchase it in the United States, offering payment in hard currency. In order to meet its defense needs, Switzerland launched an extraordinary national defense program in 1950, involving projected expenditure of $865 million over the next 5 years. Some $329 million are earmarked for the acquisition of modern equipment. This program is financed on a pay-as-you-go basis through substantially increased taxation, and has been undertaken without foreign aid. Defense allocations amounting to 38 per cent of the total federal budget for 1951 are convincing evidence of the Swiss determination to build adequate defenses.

10. In an effort to overcome its vulnerable supply position, Switzerland is carrying out an accelerated raw material and food stockpiling program and has intensified measures to attain, in the event of war, as high a degree of economic self-sufficiency as possible.

11. During the last war, the Swiss Army readied plans for coordinating its defense efforts with the Allies, in the event Switzerland were attacked by the Axis powers; these plans were not, however, to be made available to the Allies in advance of an Axis attack. The inadequacies of such uncoordinated planning were demonstrated to the Anglo-French command at the time of the German attack on Belgium in 1940.

12. It is understood, of course, that the present Swiss concept of neutrality would limit the maximum cooperation obtainable, prior to attack or the obvious imminence of attack, to agreement on joint plans which would be effective only if and when the Swiss determine that they should be implemented. Coordination prior to an attack would, however, greatly enhance the value of the Swiss defense efforts, to both Switzerland and the Western Powers.

Policy Against Alliances

13. The Swiss constitution expressly enjoins the Federal Government "to maintain (Swiss) independence and neutrality". This is interpreted as prohibiting political or military alliances. The constitutional provisions express a national policy which is deeply and firmly rooted in Swiss life and which has, moreover, proved effective in maintaining national independence for well over a century. Any departure from this national policy of neutrality will occur only from independent Swiss decision; outside pressures are far more apt to retard than to facilitate a movement away from strict neutrality.

14. Definite possibilities exist, nevertheless, of inducing Switzerland, to take practical steps, looking to closer cooperation with the Western Powers, through a more flexible interpretation of its policy of neutrality, the purpose of which is, after all, the eminently realistic one of preservation of national independence. The Swiss, moreover, recognize the USSR as the only potential aggressor in Europe. Switzerland's official neutrality in no way implies indifference to the outcome of the struggle between the West and Soviet communism. The Swiss regard themselves as belonging not only geographically but ideologically to the West; and the temper of Swiss official and public opinion is overwhelmingly pro-Western and anti-communist. There is no internal communist threat.

15. The Swiss concept of neutrality has, in fact, shown signs, during the past few months, of becoming less inflexible. This has been particularly true in respect to the problem of East-West trade. In response to the United States representations, Switzerland in July 1951 adopted controls over the export of strategic items, atomic energy materials and munitions to the Soviet bloc substantially similar to those enforced by countries members of the Coordinating Committee for Export Controls.

16. Switzerland has also introduced a stringent export-import control system designed to prevent transshipment or diversion of United States strategic goods to the Soviet bloc via private Swiss intermediaries.

17. As further evidence of willingness to interpret its concept of neutrality in favor of the West, the Swiss government has been willing to make exceptions in favor of the United States and other NATO countries in the neutrality ban on arms exports, whereas it does not license any weapons for export to the Soviet bloc.

18. Switzerland's policy of neutrality does not arouse any particular opposition on the part of the European members of NATO, such as the United Kingdom and France, but appears to command their respect and sympathy to a considerable degree.

Economic Position

19. Switzerland has an exceptionally strong economy. There is virtually no unemployment. As Switzerland must import practically all of its raw materials, the main difficulty facing Swiss industry is that of obtaining an adequate supply of such commodities as copper, steel, lead, zinc, coal, etc.

20. Although Switzerland itself needs no ECA aid and has received none it has been a member of the Organization for European Economic Cooperation since its inception. In 1950 the Swiss also joined the European Payments Union. Switzerland's economic ties are overwhelmingly with the non-communist world.

21. Switzerland's industry is making a growing contribution to the defense production programs of the NATO countries. It is manufacturing rockets, airplane cannon and other weapons in addition to supplying machine tools for the manufacture of time fuses, gears, precision instruments and other materials for the rearmament efforts of the United States and other NATO countries. This area of cooperation is susceptible of appreciable enlargement, and could provide additional industrial facilities for overcoming critical deficiencies in our defense production programs. Any large increase in Swiss defense production destined for allied countries is of course dependent on availability of raw materials. In many instances the materials required are in world-wide short supply and allied industries are not capable of operating at full capacity due to material shortages. However, in carefully selected fields, notably those in which the availability of skilled Swiss labor or existing complex Swiss manufacturing plants promise more efficient and more rapid production of end items, the allocation of materials to Switzerland for production of allied defense products is in the overall allied interest.

CONCLUSIONS

22. The United States should seek to bring Switzerland's position of military, economic and democratic strength into closer relationship with the common defense effort of the free European community.

23. In seeking this objective the United States should be guided by the following considerations

a. If the Soviets attacked across the Swiss plateau in an effort to outflank an Allied position on the Rhine, the Swiss army would bear the brunt of the defense of what would thereby have become our common right flank.

b. The Swiss army is presently one of the strongest in Western Europe, there is no internal communist threat and the population is devoted to its traditional democratic ideals. This combination,

coupled with natural terrain features, provides a firm position on which the line of NATO defenses may be anchored and despite military deficiencies mentioned in c below makes the Swiss defense position presently stronger than that of other Western European countries.

c. Swiss defensive capacity is, however, limited by certain inadequacies in the equipment of its armed forces, the vulnerable supply position of a land-locked country and the absence of coordination of Swiss war plans with those of the Western Powers.

d. The Swiss are ready and willing to pay hard currency for the military equipment they require.

e. Switzerland's policy of neutrality is so much an article of national faith that Swiss participation in formal collective security arrangements is unlikely and pressure on Switzerland to enter into such arrangements would not be productive at this time.

f. Definite possibilities exist on the other hand of inducing Switzerland to take certain practical steps looking to closer cooperation with the Western Powers through a more flexible interpretation of its policy of neutrality, because that policy has as its practical purpose the preservation of national independence and Switzerland is not neutral in its attitude toward Soviet communism.

g. Switzerland's economic strength, the alignment of its economy with that of the West and its increasingly cooperative commercial policy make its economic influence beneficial to our security interests in Western Europe.

h. Industrial potential is available in Switzerland to meet deficiencies in the defense production programs of the NATO countries, particularly if Switzerland is enabled to import the necessary materials.

THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

RELATIONS OF THE UNITED STATES WITH THE UNITED KINGDOM [1]

No. 415

Editorial Note

The following compilation presents documentation on the relationship between the United States and the United Kingdom following World War II, indicating the stresses which that relationship underwent during 1951, but attempts to document only bilateral aspects. Consultations between the two powers on third countries or on topics involving other countries is presented in the compilations on those subjects. In general, the documentation that follows has been annotated to indicate where further information on these topics can be found.

[1] For previous documentation on this subject, see *Foreign Relations*, 1950, vol. III, pp. 1598 ff.

No. 416

741.5/12-2950: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State

TOP SECRET NIACT LONDON, December 29, 1950—4 p.m.

3651. For Perkins and Ohly. Robert Hall, Chief Economic Advisor to Cabinet and actively involved in defense planning, today informed Embassy officer in strictest confidence that plans for expanding British additional defense production (Depcirctel 314, December 26 [1]) program, which Cabinet is now considering, include following major points:

[1] Circular telegram 314 transmitted, *inter alia*, background information on General Eisenhower's forthcoming European tour of NATO capitals and Germany and asked for the latest data on military planning and production. (740.5/12-2650) For documentation on General Eisenhower's European trip, see vol. III, Part 1, pp. 392 ff.

1. Recommendation of military staff chiefs that total program for fiscal years 1952, 1953, 1954 should be double pre-Korea defense budget or about pounds 4,600 million and that amount of original pounds 3,600 million program which was scheduled for completion at end fiscal year 1954 should be completed at end fiscal year 1952.

2. Imposition of priorities on industry to get quick action on defense contracts and force shift from civilian to defense production to extent necessary to accomplish above objectives.

3. Allocation of materials to accomplish those objectives and, to extent necessary, to curtail use of labor for civilian production thus creating additional labor required for expanded defense program. Hall personally believes government will, if necessary, seek additional statutory authority to direct labor if insufficient labor made available as result operation of allocation system.

Hall intimated that attitude of some Ministers on expanding defense production reflects lack of sense of urgency in some sectors of public opinion and he believes government will attempt more actively to "educate" public to existing dangers. He is convinced that Prime Minister is fully aware of dangers and of need to expand defense production to more adequate level and will take necessary steps to do so as rapidly as possible.

Hall said effort being made reach Cabinet decision on expansion defense effort in very near future.

Circulation this telegram should be closely restricted. Spofford informed.

GIFFORD

No. 417

611.41/1-351

Memorandum of Conversation, by the Secretary of State [1]

TOP SECRET [WASHINGTON,] January 3, 1951.

Subject: Military Talks Between the US and the UK

Participants: Sir Oliver Franks, British Ambassador
Mr. Dean Acheson, Secretary of State
Mr. George W. Perkins, Assistant Secretary of State

Sir Oliver stated that he wished to take up the question of the matter of military talks between the US and the UK which had been discussed in the meetings between Prime Minister Attlee and President Truman. [2] He said that he had information from London

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[1] Drafted by Perkins.

[2] For documentation on the meetings between President Truman and Prime Minister Attlee at Washington, December 4–8, 1950, see *Foreign Relations*, 1950, vol. III, pp. 1698 ff.

which indicated they were interested in this problem for two reasons.

First, they felt that the talks which had been held previously with Ambassador Jessup and Sir Oliver present had been useful and they wanted, if possible, to put these talks on a more or less regular basis.

Secondly, they were concerned to know about our war plans in connection with the use of the airfields in England which had been made available to the US forces. [3]

He asked whether it would be possible for me to take the matter up with General Marshall. I assured Sir Oliver that I would be glad to do this.

Footnote by Mr. Perkins

After the meeting on raw materials Sir Oliver came up to my room and talked a little bit further about the matter of the military talks. He told me that the UK felt more or less formal meetings, with political representatives present, were extremely useful and very desirable and that they felt that the previous meetings had been very beneficial. He indicated that he did not feel that it was necessary that a fixed schedule of meetings should be established, but that it should be the right of either side to call a meeting at reasonable intervals of time. He also indicated that in all probability they were harking back, in part at least, to the old days of the Combined Chiefs of Staff, and, even though they recognized that no such set-up could now be made because of NATO, they did feel that because of their determination to increase their contribution to defense they were perhaps entitled to, and certainly would be greatly helped by, having such periodic meetings.

However, his real reason for bringing up the matter at this time was the second point on which apparently the British Government feels at a complete loss for information and does not believe that they should be in this position in case of an emergency. [4]

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[3] For further documentation on the use of airfields in the United Kingdom by U.S. forces, see vol. I, pp. 802 ff.

[4] On January 4 Secretary Acheson discussed British liaison with the Joint Chiefs of Staff again with Ambassador Franks, stating that Secretary of Defense Marshall was disturbed that the French had heard something about Anglo-American military talks and because of this "did not at present wish to go into the matter of setting up any machinery for talks." The Secretary of State indicated that the subject might be reopened. (Memorandum of conversation, January 4, 611.41/1-451)

No. 418

741.5/1-451: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State

TOP SECRET PRIORITY LONDON, January 4, 1951—5 p.m.

3728. For Perkins and Ohly. Embassy officer yesterday dicussed British additional defense production planning with Plowden who heads defense production planning committee and was absent from London when Robert Hall furnished information reported in Embtel 3651, December 29. [1] Plowden talked very frankly. His statements were somewhat at variance with Hall's and because of Plowden's prominent position in defense planning, should be regarded as qualifying Hall's comments in important respects.

Plowden's remarks made it clear that, while volume and timing expanded production program mentioned by Hall have received ministerial consideration final plan has not yet been presented to cabinet. Plowden said his committee expects to receive Friday recommendations of military staff chiefs based on strategic considerations. Committee will translate these recommendations into economic terms and submit conclusions to cabinet in last half January. Plowden expects cabinet discussion to be more concerned with meeting requirements dictated by military estimate of strategic situation than with total cost of expanded program. He recognized probability that military staff chiefs are thinking in terms of doubling pre-Korea defense expenditures and possibility compressing pounds 3.6 [*3,600*] million program into period between now and end fiscal year 1952 (information obtained by Embassy from British military sources strongly suggests military chiefs are thinking in these terms). Plowden foresaw that total expanded production program may be double pre-Korea figure and possibly more. Point he stressed was that Government's approach will place first emphasis on speeding up program. He questioned possibility of actually spending as much by end of fiscal year 1952 as military may recommend without placing economy on virtual war footing. (Deptel 3219, January 2 [2]).

Plowden's comments confirm Embassy belief that Prime Minister and most influential ministers fully recognize that British rearmament effort must be adapted primarily to military needs and are

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[1] Document 416.

[2] Telegram 3219 requested confirmation that the British military staff chiefs had recommended completion of the 3,600 million pound program by the end of fiscal year 1952. (741.5/12-2950)

thinking less in terms of economic impact although hoping to keep economic dislocations to minimum. Plowden doubts that cabinet will accept military chiefs' recommendations "at first bite" and like Hall, referred to Prime Minister's problem of bringing into line certain Ministers whose views and projects will be most affected by speed-up of defense production. However, he seemed reasonably confident that opposition to program which would realistically reflect defense needs could be overcome.

Plowden confirmed Hall's statement that Government will undoubtedly use priorities vigorously to force acceptance defense contracts by industry and put civilian production in secondary place where necessary. He expressed personal opinion that goal of expanded production could not be reached without forced distribution of labor and that attempt to provide additional labor required for rearmament effort by restricting allocation materials to non-essential industries will not be adequate. He said he intended to express that opinion very frankly to cabinet when submitting his report.

Plowden's remarks should not be regarded as diminishing importance of information furnished by Hall but rather as clearing up details of present status. Hall is not only extremely well informed but actively involved in defense planning and we believe his comments indicate trend of thinking in some influential government circles. [3]

GIFFORD

[3] On January 19, Gifford reported that Robert Hall had indicated that the British program "might be even larger" than stated in telegram 3651 (Document 416) and might necessitate a return to "almost full austerity condition in UK." (Telegram 4010, 741.5/1-1951)

No. 419

London Embassy files, lot 59F59, 350 Britain

Memorandum of Conversation, by the First Secretary of the Embassy in the United Kingdom (Trimble)

CONFIDENTIAL [LONDON,] January 4, 1951.

Subject: Current British Views Toward the United States and Possibility of a Coalition Government.

I called on Sir David Maxwell Fyfe at his law offices on January 4, having previously telephoned for an appointment. Sir David, who is Conservative MP for the West Derby district of Liverpool, was Attorney General in the "caretaker" government formed in the spring of 1945 and is a member of the Tory "shadow cabinet".

I opened the conversation by stating that there were several subjects on which I should like to have his views and that I trusted he would be as frank in his replies as I would be in the questions which I wished to put to him. I then said that the Embassy had received rather disturbing reports from a number of reliable sources to the effect that anti-American sentiment was on the increase in Great Britain. This development was not reflected in the press, but from what we could gather, appeared to be quite widespread. I was, therefore, anxious to know whether he had seen any indications of it among his constituents and colleagues in the House of Commons.

Sir David replied that to the best of his knowledge there was no anti-American sentiment in the Conservative Parliamentary Party and further that he had seen no signs that it was growing elsewhere. Indeed, except for the Silverman [1] group, he felt that there was no real anti-American feeling in the Labor Parliamentary Party. Silverman and his associates, Sir David continued, have always been biased against the United States and, hence, the attitude they displayed in the recent Foreign Affairs Debate and since that time represented no new departure. It was, of course, true that Richard Crossman [2] is presently more critical of the United States than he has been. Nevertheless, he, Sir David, did not attach any importance to this for Crossman is like a weather vane, his views constantly shifting from one direction to another.

With a view to drawing Sir David out further, I outlined the elements which in the Embassy's opinion had been worrying the British at the time of Attlee's visit to the President and asked whether he concurred in our analysis. Sir David said that he tended to discount the importance of the "junior partner" factor and that he had seen little or no evidence that the British public took it seriously. It was true that many disliked having to play the role of recipient. This, however, was a natural reaction and did not materially affect the attitude of the British towards us. Furthermore, this element was no longer present now that Marshall Aid has been discontinued. He also did not believe that the British were worried about our policies toward Germany. The Conservatives saw eye to eye with us in respect to Germany and the necessity of dealing with the Soviets from "positions of strength." In the latter connection he expressed the hope that there would be no "standstill" in

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[1] Julius Silverman, Labour Party Member of Parliament from the Erdington Division of Birmingham.

[2] Richard Crossman, Labour Party Member of Parliament from Coventry East and Assistant Editor of the *New Statesman and Nation*.

our plans to proceed with the rearmament of Germany pending the outcome of the proposed CFM. [3]

Sir David said that the British are, however, seriously concerned about our policy toward the Far East and the actions of General MacArthur. There had been, as I knew, a certain amount of criticism of him on both sides of the House for launching an offensive in North Korea instead of stabilizing at the "waist." The Conservatives naturally did not know all the facts in the case and there may well have been compelling reasons from a military standpoint to attempt to reach the Manchurian Border. From such information as had been available, however, it had seemed then and even more so now that the offensive had been a grave mistake. There was a basic disagreement between the British and ourselves in respect to China and he personally did not see any solution to this problem and certainly not on a short term basis. The British are alarmed that United States military strength will become so bogged down in the Far East that there will be little left for the defense of Europe. They are also concerned by our attitude towards Chiang and Formosa. If, for example, the Chinese Communists had agreed to the UN cease-fire proposal, it would have been extremely difficult for the British to turn down a proposal for the transfer of Formosa to the Communists, a position which he realized would have caused much resentment in the United States. From this standpoint it was, therefore, fortunate that the cease-fire had been rejected. It was also probable that as long as the fighting continues in Korea, the Chinese Communists will not seriously threaten Indo-China. Sir David admitted that the Communists might seek to take Hong Kong but felt that such a development was quite remote. He did not, however, explain the reasons for this impression.

Turning to the domestic political scene, I inquired whether there was any substance to the reports that a coalition government was presently being contemplated. Sir David replied that the rumors were completely without foundation. Indeed, he was just drafting a speech to be delivered at Cardiff the following day setting forth the arguments why the Conservatives would be unwilling to enter a coalition. He then outlined the reasons for their opposition, mentioning not only the points made by Sir Patrick Spens in my recent conversation with him but also an additional one. [4] This was to the effect that the Conservative Party would be "put to sleep" if it should enter a coalition. Its present vigor derives from the fact that

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[3] For documentation on the exchanges of notes concerning the convening of the Council of Foreign Ministers (CFM), see vol. III, Part 1, pp. 1048 ff.

[4] No record of Trimble's conversation with Sir Patrick Spens, Conservative Party Member of Parliament from South Kensington, has been found in Department of State files.

it is in opposition. It is developing a positive program based on the slogan of a "property owning democracy." It is also seeking with considerable success to gain the support of TUC members. All this would be changed if the Tories were to take part in a coalition. I mentioned the rumor that Mr. Churchill allegedly would favor the formation of a coalition. Sir David replied that he knew for a fact Mr. Churchill had not held such a view when he left for his vacation in Morocco a few weeks ago and that as far as he, Sir David, knew, Mr. Churchill's attitude had not changed since then. The Conservatives would, of course, be prepared to enter a coalition if the King should "exercise his royal prerogative" and ask Mr. Churchill and Mr. Attlee to form one. Barring such a development or the outbreak of war, Sir David felt that there was no likelihood that a national government would be formed.

At the conclusion of the conversation, Sir David said that he would be away from London for the next few weeks visiting his constituency but he would be glad to see me again when he returns here for the reopening of Parliament.

No. 420

611.41/1-2051: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State [1]

SECRET LONDON, January 20, 1951—1 p.m.

4022. 1. As Department aware, British attitude towards US follows fluctuating pattern. Periods when American prestige is high are followed by lows generally occasioned by divergence of views over specific political or economic issues. Effect of disagreement is however aggravated by psychological intangibles stemming from fact that despite many similarities, we are two different peoples with different reactions, different methods of operation and at times transitory differences in interest although long-term objectives are same. US prestige in British eyes reached high at time Inchon landings [2] but subsequent UN reverses in Korea gave such a jolt that period of low commenced which now appears to be at nadir. This condition does not reflect anti-Americanism in sense of unfriendliness toward US or US people. On contrary anti-Americanism of this nature is to all intents and purposes quiescent if not in fact moribund except among (I) Communists, (II) handful labor

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[1] Repeated to Paris, Moscow, Frankfurt, The Hague, Brussels, and Stockholm.
[2] September 15, 1950.

left-wingers who have always been suspicious of and even hostile to US, and (III) hard core of empire-fired Tories who wield negligible influence. Moreover present low does not presage any weakening of Anglo-American partnership which British continue to be convinced is indissoluble rock upon which future of free world must be based. It does however reflect strong undercurrent exasperation and irritation towards US and distrust of certain of our policies which prevail among practically all sectors British community. Unlike situation at time sterling devaluation in 1949 [3] and previous differences over economic questions, this feeling is not voiced in press except for sharp criticisms of our FE policy. Nevertheless it is in our view possibly more intense and widespread today than at any time in past five years.

2. Following analysis seeks to bring up to date earlier assessments of causation current British attitude and insofar as possible to explain why British feel this way. As will be noted attitude contains certain contradictions, illogicalities and even blind spots since it combines disagreements on specific issues with instinctive and emotional reactions.

3. Basic causes present British attitude are fear that UK may have lost control over own destiny, that US may go beyond "point of no return" and chain of events may ultimately result in war with Soviet Union in which UK would necessarily become involved and that US will squander its resources in hopeless war with China which would leave Europe, key to security of West, defenceless. These fears are intensified by reports highly excited state of American public opinion and exaggerated idea of power and influence of General MacArthur and of his alleged proclivity to take political decisions on his own authority.

4. Most immediate motivation of present British attitude is concern over what they consider absence of realism in our FE policy and questionable wisdom some of our actions there. British views toward FE in general and China in particular have not been in accord with our own ever since war. This divergence did not however become of primary importance until British recognized CPG [4] and did not in their eyes take on acute aspect until Chinese Communists intervened in Korea. [5] British feel we are supporting Chiang and Syngman Rhee and that this "support" indicates that we are confusing fundamental social upheavals in Asia with Soviet machinations. Constantly bearing in mind vulnerability of Hong

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[3] For documentation relating to the devaluation of the pound in September 1949, see *Foreign Relations*, 1949, vol. IV, pp. 781 ff.

[4] January 6, 1950.

[5] At the end of November 1950.

Kong, British place second only to relationship with US continued solidarity of Commonwealth and avoidance any action which might alienate India as potential leader non-Communist Asia. In present crisis continuance MacArthur in key political as well as military position tends to aggravate their concern that US actions will be guided by emotional and prestige considerations in defiance of Asiatic opinion. In many instances there is no disagreement re importance specific issues. For example British Government but not public is probably awake to necessity of keeping Formosa for time being in friendly hands or neutralized but there is belief that this could be accomplished more realistically than by army of discredited Chiang regime. British feel some accommodation to Asiatic viewpoint principally as expressed by Nehru is justifiable especially since they have not yet given up hope of eventual conflict between Peiping and Moscow.

British Government and public seemingly unable to grasp facts that future of collective security depends as much on events in FE as in Europe and that failure UN to continue to resist aggression there could be as disastrous for UN as breakdown of sanctions against Italy was for League.

5. Contributing factors to present British attitude include:

(a) Weaknesses in US diplomacy. Although British people do not in general mistrust US motives or intentions and indeed feel that our postwar foreign policy has furnished remarkable evidence that America is rising to great and new responsibilities, they still lack full confidence in our ability to handle delicate international issues. They feel US methods sometimes unnecessarily put them and others publicly on spot and that purpose could be better achieved by other means. They also believe that we are prone to act without adequate prior study of possible implications of a move and to make piecemeal decisions. They are consequently disturbed by what they regard as our impulsiveness and tendency to plunge ahead, sometimes in anger. At same time they are concerned by what they feel is our proneness to decide matters with minimum prior consultation with them and to insist that courses of action which we propose are the only practicable ones. They regard these methods as high pressure tactics incompatible with real leadership and are surprised that nation our stature feels need to use them. Britain realizes that power tactics have place in diplomatic tools of trade but believe we are inclined to employ them to exclusion other means of suasion. As instance US diplomatic shortcoming, British cite approach used in Washington September discussions on German rearmament. [6] They feel we broached subject without sufficient advance spadework with respect to French and maintain that if this had been done, wranglings in following months would

[6] For documentation on the meetings of the Foreign Ministers of France, the United Kingdom, and the United States at New York, September 12–19, 1950, see *Foreign Relations*, 1950, vol. III, pp. 1108 ff.

not only have been avoided but also that we would be much further ahead today with German rearmament.

(b) Failure to capitalize on British experience. British believe that we fail to make use of their experience in diplomacy and government gained over decades when UK was dominant world power. They realize that its position in West is definitely second to that of US but still feel that they have much practical knowledge to offer which could be advantageously employed in formulation and execution of Western policy. British feel their long association with and skill in handling peoples of Europe exceeds our own and, in fact, regard themselves as natural leaders of Western Europe. They therefore believe that greater use should be made of these assets in stimulating continent to greater defense effort. British maintain that much that is practical in European cooperation since war has been achieved because of their contribution and close their eyes to fact that their prestige and consequently influence in Western Europe is at low ebb as result negative attitude they have adopted towards European integration.

(c) Concern re inconsistency US policy. British feel that their early misgivings re implications US election for Europe have been borne out by Hoover in speech and more recently and far more seriously by Taft's statements. [7] They had already been alarmed by attacks on the Secretary who is highly respected here for his foresight and judgment and fact that "McCarthyism" made such an impression on American people. They are concerned at possibility US public may forget our commitments under NAT and at prospect of increased neo-isolationism with all it connotes for future security of UK and Europe. These fears are further deepened by current controversy over constitutional authority executive to send US forces abroad.

(d) Alleged negative US approach to talks with Soviet. British sentiment is strongly in favor talks between Western Powers and Soviet. Latest Gallup poll showed 76 percent would like meeting between President, Attlee and Stalin. This desire does not mean that British would be prepared to appease Soviet. Memory of Munich is still green. However, with spectre of war looming large in their minds British feel we should overlook no opportunity to explore every reasonable avenue settlement East-West differences and therefore West is morally bound to take part in talks. They are consequently disturbed by impression that US overly negative in its approach to proposed meeting four Foreign Ministers, that we feel talks would be unproductive and hence no purpose would be served by holding them, that US emphasizing military factor to contain Soviet without parallel political offensive. British recognize that West cannot hope to gain from talks unless in position of strength. They are inclined feel however that our position has been strengthened by Soviet fears at prospect German rearmament and because of this there is a chance talks may have some beneficial results, and at very least West will gain time.

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[7] Regarding the speeches of former President Herbert Hoover and Senator Robert Taft concerning the question of sending more U.S. troops to Europe, see the editorial note, vol. III, Part 1, p. 14.

(e) Failure US to appreciate UK contribution to common defense. British are irritated at apparent failure US to appreciate importance their contribution to cause of West and are resentful tendency to regard them as "pallid allies". They point to facts that they have almost 40,000 troops plus large armed police forces in Malaya who have been fighting Communist guerrillas long before aggression in Korea, that on per capita basis size UK forces comparable to our own, that military service universal and term longer, and that until Korea percentage UK gross national production devoted to defense was higher than that in US and that since Korea British have substantially increased proportion GNP allocated to defense and will shortly up it still further. British themselves primarily at fault for having failed to publicize importance their contribution. Nevertheless they tend to overlook this and to blame US public for being misinformed. We also sense some feeling of guilt on part British that despite relatively creditable showing to date it does not at present time compare with US defense effort and feel that from this standpoint their self-esteem will be raised when details accelerated defense program are announced.

(f) Envy of US. Consciously or unconsciously British people tend to be envious of US. They are envious of our standard of living and luxurious way of life as portrayed in movies and other media, of our economic and industrial strength, of our relative geographic security, and of fact that we have replaced them as the leading world power. In summary, feeling of superiority towards US which characterized British in past is on way to developing into one of inferiority. As is usual in such cases, sense of disparity is expressed in criticism of object of envy. Such criticism is particularly sharp here at present time because of fear that we may be dragging UK into war.

6. Factors contributing to British attitude towards US which have diminished in importance since previous assessments (Embtels 3043, November 24, 3241, December 3 and 3664, December 29 [8]) are (1) "junior partner" role, (2) A-bomb, (3) raw materials. Suspension Marshall aid and Attlee's visit to Washington where British voice raised have done much to remove British feeling of being "a dependent" and all sections British public believe UK now in better position to deal on more equal basis with US. Growing self-confidence among British takes form wider public demand for UK actively to influence US rather than merely follow in US wake. On A-bomb, fears have quieted since Attlee visit, and evidence that scare stories from Washington about US willingness to make immediate use weapon were not based on fact. British worries re effect on UK economy of US stockpiling have also tended to decline as result President's talk with Attlee and plans to provide for equitable distribution of commodities in short supply.

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[8] Telegrams 3043 and 3664 are not printed; for telegram 3241, see *Foreign Relations*, 1950, vol. III, p. 1698.

7. While we are naturally disturbed by British attitude described above, past experience teaches us that Anglo-American disagreements can be eased if not removed by real effort on both sides to appreciate other's position. We must also bear in mind fact that maintenance closest possible ties with US is basic objective UK foreign policy and therefore that British will seek to avoid any step which might seriously jeopardize their relations with US. As our present divergencies stem in large measure from FE situation, on which no basic understanding was apparently reached in Attlee–Truman conversations, we suggest you consider possible advantage in having high-ranking official Department such as Jessup or Rusk who can speak authoritatively on US–FE policy, come to London in very near future to discuss subject with Bevin and FonOff officials concerned, in light of admitted advantages derived from similar exchanges of view on NE and other questions in past.

GIFFORD

No. 421

741.022/1-2551: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State

SECRET LONDON, January 25, 1951—3 p.m.

4108. Re Deptel 3508. [1] In view reluctance British officials to refer to disagreements among Commonwealth Prime Ministers except in most general terms attitude each Commonwealth country cannot always be pinpointed except in cases where such attitude supports British point of view. On FE–UN issues Embassy analysis Prime Ministers' attitude is:

1. All Commonwealth Prime Ministers supported attempt to revise principles cease-fire committee along lines Embtel 3864 [2] and to present common front in UN on this case.

2. Condemnation of CPG and imposition of sanctions discussed with reference to US note of January 4 [3] but consensus of Prime Ministers was that attempt must be made to work out principles of cease-fire committee along lines finally decided before questions of condemnatory resolution and sanctions could even be considered.

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[1] Telegram 3508 requested a summary report and analysis of the Commonwealth Conference of Prime Ministers held January 4–13 at London. (741.022/1–1651)

[2] For text of this telegram, reporting various changes in the principles for a cease-fire committee for Korea, see vol. VII, Part 1, p. 65.

[3] Presumably a reference to the U.S. position transmitted in circular telegram 334, January 3; *ibid.*, p. 7.

Conference terminated before CPG rejection revised cease-fire principles.

3. In development this united Commonwealth policy on revision of cease-fire principles lead taken by UK-India-Canada with Australia most consistent defender US point of view but all Commonwealth Ministers in accord necessity taking some such steps as attempt at revised cease-fire principles in view grave concern of all at prospect major war in FE.

On development of Commonwealth policy on other major questions only positive steps would appear to be agreement on necessity peace settlements with Germany and Japan. On specific questions relating to these settlements no attempt made to formulate common policy, notably in case of Japan towards which individual Commonwealth countries have pronounced views.

Paragraphs 4 and 5 of Deptel in accord with Embassy assessment. Little additional information of value has been elicited on points raised in paragraph 6 Deptel. To date Embassy has no information question West Europe vs. China area as free world primary security interest case in for much discussion in view Prime Ministers preoccupation with attempt to formulate common Commonwealth policy on China-Korea arising from over-riding desire of all, particularly Nehru, avoid conflagration in FE.

Air priority despatch leaves Embassy January 26. [4]

GIFFORD

[4] For the despatch under reference, transmitted on January 29, see Document 425.

No. 422

611.41/1-2051: Telegram

The Secretary of State to the Embassy in the United Kingdom [1]

SECRET WASHINGTON, January 25, 1951—7 p.m.

3531. Fol in two sections:

1. Dept appreciates Embs thoughtful analysis current UK attitudes toward US (Emb 4022, Jan 20 [2]) and agrees with Embs principal conclusions.

Re final para ref tel however Dept feels nothing significant is being neglected (a) to keep Brit fully informed development our FE

[1] Drafted by Margaret H. Williams of the Bureau of European Affairs and William L. Hamilton, Jr., of the Office of British Commonwealth and Northern European Affairs.

[2] Document 420.

policy and (b) to win sympathetic Brit understanding if not acceptance of its bases. To these ends there have been almost daily conversations at policy level with Brit both here and at Lake Success. Also special talks with JCS held during Slessor's [3] visit with Rusk present.

Despite continuing consultation with Brit Dept sees no evidence narrowing fundamental difference of opinion and inclined belief FE developments themselves rather than discussions will be more likely to bring that about. When developments reach such stage, Dept believes talks in Lon wld be more useful than now. At present there wld be great difficulty sparing appropriate personnel for talks in Lon. It is possible, however, that if preliminary CFM talks held Eur, our reps such discussions cld hold FE discussion Lon on the side. In light above Dept wld appreciate Embs continued consideration as to when talks wld be most useful.

2. Reftel considers public as well as official attitudes. While Dept believes policy differences more likely to be resolved by events than consultation, it considers action can be started immed endeavoring to swing Brit public opinion to more sympathetic and understanding attitude. Fol possibilities are suggested: (a) Use of Emb and other US speakers on Fulbright other grants competent speak Lon and grassroots platforms, brain trust discussions, etc., (b) frank on the record discussions with key editors, BBC commentators, both individually and collectively, to give full picture of immense US effort and the good will and good faith behind our desire to work with Britain as honored, experienced partner, (c) leader specialists offer Dept way supply honest US indoctrination to moulders of Brit public opinion. Conferences for Douglas Clark Lon Editor *Bristol Evening Post* for example arriving Jan 23 will be so planned; also for subsequent persons same category.

Dept instructing public affairs media on policy guidance for output and to supply Emb additional materials to implement above suggestions.

ACHESON

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[3] Air Marshal Sir John Slessor had arrived in the United States on January 14 for talks with the Joint Chiefs of Staff concerning operations in the Far East, use of British airfields by U.S. bombers, and the continuation of informal U.S.-U.K. military talks. Records of the talks on January 15 and 16 on the first two topics are in file 611.41/1-1851. Regarding the informal talks, Slessor talked with Nitze and Jessup on January 17 saying that the British wanted Ambassador Franks and Marshal Tedder to meet with representatives of the Joint Chiefs of Staff and the Department of State on a more or less regular basis. This request was relayed to General Marshall who thought the idea was a good one, but stressed that the arrangement must be informal and that there should be no commitment to consult prior to reaching decisions. (Memorandum from Acheson to Lovett and memorandum of conversation by Acheson, January 18, and memorandum by Battle, January 23, 611.41/1-1851 and 1-2351)

No. 423

795.00/1-2751: Telegram

The Secretary of State to the Embassy in the United Kingdom [1]

SECRET PRIORITY WASHINGTON, January 27, 1951—5 p.m.

3558. Supplementing Deptel 3531 [2] in reply urtel 4022 [3] Secy intends having FE background discussion first of week with Franks. Possibility also being considered message President to Attlee same subject. These steps contemplated view increasing seriousness differing policies Far East highlighted past 48 hours by UK Cabinet decision oppose US Korean resolution if para 8 retained [4] plus UK vote Cairo UPU seat Chinese Communists.

To this point in UN consideration Korean resolutions Dept believes most concessions to others viewpoint, insofar UK–US are concerned, have been made by US and that we cannot make more. Dept regards Brit stand with increasing concern because continued cleavage detrimental mainly to UK–US.

Prior taking either step para (1) above Dept desires to be as certain as possible exact motivations Brit policy which well covered urtel 4022 plus evaluation where Brit believe their policy will lead them, us, and free world generally.

We have in mind detailed questions such as (1) Is primary factor in Brit policy desire to avoid split between West and Asia, especially India; spread of Chi Com aggression in Southeast Asia, apprehension third world war, or what? (2) Are present Brit attitudes re recognition and UN actions expected to yield immediate benefits or lay foundation for long-range FE objectives? (3) How far must West go in concessions to CPG before Brit satisfied their policy has had fair trial? (4) Why have Brit made open issue with US on Chi Representation question as in vote in UPU and Jebbs speech 1st committee rather than following procedures which would avoid breaking Western unity this question? [5] (5) Above all, how do they see

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[1] Drafted by Raynor and cleared with Bonbright, Matthews, Rusk, and Johnson.

[2] *Supra.*

[3] Document 420.

[4] Presumably this is a reference to the paragraph of the U.S. draft resolution, dated January 20, which called for the formation of a committee to consider what additional measures could be employed to meet Chinese aggression in Korea. For the full text of the U.S. draft resolution, see the editorial note, vol. VII, Part 1, p. 115.

[5] On January 25, Sir Gladwyn Jebb had expressed British agreement with the first five paragraphs of the U.S. draft resolution, but stated that the United Kingdom had grave doubts about further measures against Chinese Communists until Peiping's intentions had been fully explored. For extensive documentation on the discussion of the U.S. draft resolution, including Jebb's remarks before Committee I, see vol. VII, Part 1, pp. 117 ff.

their policy working out in practice? Emb views requested urgently. Discreet talks with FonOff not excluded.

ACHESON

No. 424

790.00/1-2951: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State

SECRET NIACT LONDON, January 29, 1951—7 p.m.

4178. In considering US–UK relations re Far East it seems important to make some assumptions re Communist objectives and probable tactics. Since end of war differences between US and UK over FE have varied both in quality and importance as international tensions have fluctuated and as each has made concessions to other's position, but viewing post-war period as a whole we seem to have consistently drifted further and further apart. Differences during past week were so acute that public opinion in both countries apparently had become involved to extent which was making it doubly difficult for governments to ameliorate situation. Communists cannot fail to be conscious of this obvious progress in their admitted campaign to drive wedge between US and UK and probably tend to overestimate rather than underestimate it. This fact together with current CPG tactics indicate to us that Communist FE strategy for present is to exploit their advantage and by equivocation, ambiguity and change of pace attempt to follow up this success rather than precipitate situation (for instance, by attack on Hong Kong) which they certainly realize would speedily unite West even if not West and Asia.

Although we now seem to be getting together on US resolution it remains true that recent conversations have been unfruitful in resolving fundamental differences. A British Cabinet Minister has stated privately, for instance, that "Slessor might just as well not have gone to Washington" because he felt he received no helpful information either re current military developments and prospects or re our basic policy plans. We feel, however, that in good conscience we should continue attempts to reconcile our positions. Furthermore we do not despair of some success as we feel British position is neither willful nor capricious but rather founded on sincerely and widely held opinions, even though such opinions may be of doubtful validity. It should therefore theoretically be possible by

patient examination of each other's views to reach much greater degree of mutual understanding.

It appears to us that British distrust of our FE policies and actions stems from two basic reactions. First, they have a feeling that although neither one of us sees clearly very far ahead, we push ahead with ill-considered haste and impatience, while murkiness of future induces in them caution and desire to proceed on assumption war can be avoided as long as this can be done without seriously prejudicing strength of our position in case war actually does eventuate. Second, they feel we underestimate strictly Asian forces and factors which help Bolsheviks to utilize FE situation successfully to further their own ends.

In light of above we would answer questions final paragraph Deptel 3558, January 27: [1]

1. Primary British concern is to find effective FE policy on which both US and UK can agree, and which will avoid split between West and Asia (especially India), will preserve UN, and will avoid world war. Neither UN nor principle of collective security can, in their view, be salvaged by an imposition of sanctions, which would be ineffective and might lead to spread of hostilities. Although US and UK are at one in their basic strategy in opposition to communism, it is US tactics re FE which cause concern to British and arouse maximum distrust among Asian nations. US intransigence re CPG is forcing China into sole reliance on Soviet and is consolidating views of China and Russia. British feel US political and military leadership in Asia as personified by SCAP has not inspired confidence. There is general belief government has little or no control over his actions and there is even some fear SCAP may be developing calculated long-term world war against communism through aggressive action in China as the weaker of the two major Communist nations. In British view regardless of whether or not this is in fact SCAP's strategy, too early or too rigid application of sanctions may lead to general war. If US wishes to take risk of general application of sanctions then it is essential that it have warm support of majority of nations concerned. Oriental nations have healthy fear Sino-Soviet imperialism and realize in last analysis necessity US support in order hold this imperialism in check but they do not wish to force show-down unless absolutely necessary.

2. In British view, one situation for which UN was not created and cannot cope with is falling out among major powers. There is fear in government circles US attempts substitute procedural stratagems and devices in order hide this fundamental fact will lead to break-up of UN. In attempt preserve UN they have in mind long-range objectives in FE and elsewhere.

3. UK concessions are primarily made in order to buy time and to insure widest possible support in event more drastic action necessary. British regard UN forum as object lesson to Asiatics. UN concessions will have been justified if, within reasonable limits

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[1] *Supra.*

they can be carried to point where average intelligent Asiatic could be convinced that responsibility for any open break is entirely and unavoidably due to Chinese action and that Chinese imperialism is the enemy of Asia.

4. There is suspicion US is attempting to make of UN a US club and it is feared that there may develop a tendency for neutral nations unsympathetic with US viewpoint to drift away from UN and to form their own clubs with resultant re-establishment of a balance of power. British extremely uncertain as to how their policy will work out in practice nor do they think we know how ours will work out in practice. They have had no clear statement from us as to our estimate of the future. Therefore they think it wise to move slowly and cautiously.

5. British are very unhappy over meager results to date of their China policy. It had until recently been primary British goal to assume Chinese neutrality in event of world conflict. Events now have forced them to conclusion even this hope may no longer be valid. British procrastination in UN now is partly to gain time to build up strength. If, as anticipated, Chinese recalcitrance and Chinese pressure on British continue to develop, serious consideration must be given to withdrawal of recognition. Such a step however will only be taken as a last resort.

In addition to above, British FE policy is subject substantial domestic pressure. Parties jockeying for position in next election with Conservatives tending support US position primarily on basis of danger implicit in US–UK break. In Labor view Conservatives never had constructive policy for FE while Labor poses as champion of India and other new Asiatic nations carved from British Empire. Labor violently anti-Chiang and anti-MacArthur. Left-wing minority now making FE a political issue and, in reaffirming its FE position, Labor is making bid for retaining Left-wing support, thus permitting it more strongly to support agreed US–UK policies elsewhere. We agree with Department that discussions in the sense of personal messages from the President to Attlee may make British vote our way in individual instances, and this is useful device. This, however, would not help in healing basic breach. We have impression this can only be done by patient examination each other's basic approaches, and it was with this thought in mind we suggested in Embtel 4022 [2] possibility of Jessup or Rusk visiting London.

GIFFORD

[2] Document 420.

No. 425

London Embassy files, lot 59F59, 350 Britain-Commonwealth

The Attaché in the United Kingdom (Tibbetts) to the Secretary of State [1]

SECRET PRIORITY LONDON, January 29, 1951.
No. 3527

Subject: Conference of Commonwealth Prime Ministers.

The recently concluded conference of Commonwealth Prime Ministers, which was held in London January 4–13, again focussed attention on the Commonwealth as an institution as well as upon the position of the various Commonwealth nations on the world today. [2] From the British point of view the continuance and strengthening of the Commonwealth is a major tenet of their foreign policy. Both Labor and Conservatives viè with each other in praise of the Commonwealth and its value not only to the United Kingdom but to the world. The adherence of India, Pakistan and Ceylon has in British eyes made the Commonwealth particularly important as "a bridge between the east and the west," a frequently repeated phrase, and the United Kingdom unquestionably takes the Commonwealth as an institution more seriously than any of the other members except possibly New Zealand which dearly cherishes the British tie.

British officials state that the aim of the British Government in calling the conference was to ensure that in any future war with the Soviet Union, the United Kingdom would have the support of the entire Commonwealth. Secondary aims were (1) to convince the new Asian dominions, notably India, that their views were being given full consideration by the British Government and that the "Asian voice would not be overlooked" in the working out of policy in the present international crisis, (2) to encourage the Commonwealth countries to strengthen their defenses against aggression and (3) to strengthen the Commonwealth links through the tradi-

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[1] Copies sent also to Ottawa, New Delhi, Karachi, Colombo, Wellington, Pretoria, and Canberra.

[2] The conference met at 10 Downing Street. Attending for the United Kingdom were Prime Minister Clement Attlee, Foreign Secretary Ernest Bevin, Defense Minister Emanuel Shinwell, Secretary of State for Commonwealth Relations Patrick Gordon Walker, and their advisers; for the rest of the Commonwealth, Prime Minister Jawaharlal Nehru of India, Prime Minister Robert G. Menzies of Australia, Prime Minister Sidney Holland of New Zealand, Prime Minister D. S. Senanayake of Ceylon, Prime Minister Louis St. Laurent of Canada, Prime Minister Sir Godfrey Huggins of Southern Rhodesia, Minister of Interior T. E. Donges of South Africa, Prime Minister Liaquat Ali Khan of Pakistan, and their principal Ministers and civil servants.

tional means of informal discussion, personal contacts, audiences with the King, etc., etc. Small staffs accompanied the Prime Ministers and the Commonwealth Relations Office has repeatedly emphasized that the meetings were of necessity general discussions seeking clarification of principles rather than the working out of details.

In fact, however, on the issue of China–Korea a common Commonwealth position was formulated, i.e. the revision of the principles of the UN Cease-fire Committee for presentation to the UN as the basis for action. When the conference opened, after the customary exchange of amenities, the Prime Ministers moved almost immediately into discussion of the question of China–Korea. It is not possible to trace in detail the discussions on this question on the information available but the following points seem of importance.

a. All Commonwealth Prime Ministers were gravely concerned over the possibility of a full scale war in the Far East as the result of the Chinese intervention in Korea.

b. The United Kingdom and India had specific proposals to present for possible negotiations on the subject. (Embtel 3827 January 10. [3])

c. The fear of all Prime Ministers present that open warfare with the Chinese Communists might be precipitated by the force of events led all Prime Ministers to support moves for delay in Lake Success discussions of this subject and to consider a new approach to the subject.

d. At that time no Prime Minister was prepared to urge UN action against China along the lines of the United States communication of January 4 [4] since it was believed that an attempt at a new approach must be made before consideration could be given a condemnatory resolution against the Chinese Communists or the imposition of sanctions.

e. All Prime Ministers believed that every effort possible should be made to get the United States and the Chinese Communist Government to enter negotiations. There was a general desire to explore with the United States the full consequences of UN action against the Chinese Communists before any such action was taken. The US contention that it would be impossible to consider negotiations without a cease-fire was accepted by the Prime Ministers.

f. The initiative in working out this agreed Commonwealth new approach on the China–Korea issue was taken by the United Kingdom and India with Canada, because of Pearson's presence on the Ceasefire Committee, also playing a leading role. (Pearson's views on the matter largely decided the final Canadian position.) Australia was the strongest supporter of the United States position as expressed in the US communication of January 4 but Menzies, the Australian Prime Minister, was absent a good part of the time with

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[3] See the first footnote 1, vol. VII, Part 1, p. 48.

[4] Presumably a reference to the U.S. position set forth in circular telegram 334, January 3, *ibid.*, p. 7.

influenza . . . . Holland of New Zealand also inclined to the United States view . . . . The agreed final position therefore would appear to a considerable extent to represent the point of view of those Commonwealth countries which believe most keenly in the necessity of attempting continued negotiations with the Chinese Communists on Far Eastern questions. The working out of an agreed Commonwealth policy on this issue, in the Embassy's opinion, came about primarily as a result of the intense pressure of events in the Far East plus the fact that two of the Prime Ministers present had concrete proposals, similar in many respects, to put forward for consideration.

On other major questions of less immediate urgency there was no attempt on the part of the Prime Ministers to work out an agreed Commonwealth policy, and the United Kingdom appeared to be content to let the discussions follow their natural course. For the purposes of convenience, these discussions (Embtels 3775, 3821, 3868 [5]) are summarized below.

a. *Japan.* There was general agreement that a peace settlement with Japan should be concluded as early as possible but no attempt was made to discuss details. All Prime Ministers felt that both the USSR and the Chinese Communist Government must be invited to attend any discussions held on the question of a Japanese peace treaty, along with all other participants in the war against Japan, but if the USSR and the CPG refused to attend, a peace conference should be held anyway. There was general agreement—and few suggestions—on the necessity of strengthening the Japanese economy and also general recognition that it would be futile to attempt to bind the Japanese tightly with "paper controls." Considerable skepticism was expressed as to the genuineness of Japan's conversion to democracy and concern was felt by all Prime Ministers at the increasingly critical situation within Japan.

The re-armament of Japan was opposed principally by Australia and India. Australia's objections were vigorous, mainly, according to British officials, because of Australian public opinion on the question. India's objections were based on Nehru's conviction that the re-armament of Japan would provoke the attack which the west hoped to prevent. In Nehru's opinion the position on the re-armament of Japan should be as stated in the Japanese constitution.

b. *Europe.* Only one session was devoted to European questions and there was little discussion of European matters. Canada and the United Kingdom outlined their plans and commitments under NATO but the other Prime Ministers took little direct interest. Nehru's remarks on German re-armament (Embtel 3868) were in accord with his remarks on Japan, i.e. would re-arming Germany

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[5] None printed. Telegram 3775, January 6, reported on the discussion of the international situation and Korea at the conference; telegram 3821, January 10, reported further discussion on Korea and on Japan, the Middle East, New Guinea, and raw materials; telegram 3868, January 12, reported further discussion on raw materials and the discussion on Europe. (741.022/1-651, 1-1151 and 1-1251)

not provoke a Russian attack, but he raised this point as a question only. The consensus was that a peace treaty with Germany should be concluded and that German re-armament should be permitted.

c. *Middle East.* As outlined in Embtel 3821, the discussion on Middle Eastern questions was general in nature with few specific problems considered in any detail. The "Old Dominions" defense discussions with the UK were held in what the British considered a highly satisfactory atmosphere, but short term prospects of additional Commonwealth forces for the Middle East did not appear promising. Over a longer term, however, it was considered that the Australian, New Zealand, South African and possibly Southern Rhodesian contribution to the Middle East could strengthen the position in that area.

As reported in Embtel 3883 of January 12, [6] the United Kingdom, as a follow-up to these talks, has proposed a meeting of the Defense Ministers of the "Old Dominions" to consider Middle Eastern Defense matters further. This meeting will probably take place in London in March this year, at which time the United Kingdom intends to propose the formation of a permanent committee composed of representatives of the Defense Ministers whose function it will be to keep the area's defense problems under continuous review and to serve as a channel through which the UK can pass important information bearing on military matters.

Two other Middle Eastern problems were given passing attention: (1) There was common agreement on the need for economic development in the area; and (2) the United Kingdom took advantage of the occasion to emphasize the need for contributions to the United Nations for Palestine Refugees.

d. *Raw Materials.* The Commonwealth countries acquiesced in the United Kingdom position that there should be a three country steering committee on raw material questions, much to the relief of the United Kingdom. The Commonwealth Liaison Committee in London is to be enlarged sufficiently to make possible the full exchange of views and information on this subject.

e. *Kashmir.* There is no information available to the Embassy on these conversations other than that contained in Embtels 3966 and 4092. [7]

f. *Commonwealth Secretariat.* Despite a certain amount of advance speculation in Australia about the establishment of a Commonwealth Secretariat to make easier the presentation of a "united front" on matters of common concern, the question of a Secretariat was not formally raised at any meeting, since, according to Commonwealth Relations Office officials, Menzies of Australia is not really convinced that such a Secretariat would be worth while although Spender, his Foreign Minister, is. Local Canadian sources have informed the Embassy that Canada was prepared to resist the idea of a Commonwealth Secretariat on the grounds that American public opinion would suspect a Commonwealth attempt "to gang up" on the United States.

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[6] Not printed.

[7] For telegram 3966, see vol. VI, Part 2, p. 1706; telegram 4092 is not printed.

The declaration of the Prime Ministers published at the end of the conference [8] contained one point which was featured by the British press, i.e. "In all our discussions we have made it clear to each other, as we now do to the world, that as Commonwealth Prime Ministers we would welcome any feasible arrangement for a frank exchange of views with Stalin or Mao Tse-tung. We should, in the name of common humanity, make a supreme effort to see clearly into each other's hearts and minds." In the press conference held at the time the declaration was made public, the Secretary of State for Commonwealth Relations, Patrick Gordon-Walker, said that the Commonwealth Prime Ministers had not intended that statement to imply a separate Commonwealth approach to either Mao Tse-tung or Stalin; what was intended was the endorsement in general terms of the principle of further talks, in the case of the USSR, through the latest exchange on a possible meeting of the Foreign Ministers, in the case of the Chinese Communists, the UN's cease-fire principles. In the answer to a Parliamentary question on January 23, this interpretation of the Prime Ministers' declaration was reaffirmed. [9]

In assessing the Commonwealth's approach to the international situation British officials have reiterated that all Commonwealth Prime Ministers were fully aware of the threat posed by the USSR to the West but that no serious attempt was made to assign "priorities" to areas of danger. The general view of all was that there was an immediate crisis in the Far East as a result of the Chinese intervention in Korea but that Europe remained equally vital. According to the CRO, a "theoretical balance of urgency" was maintained but in fact the greater part of the Prime Ministers' attention centered on the Far Eastern issues. Canada, Australia, and New Zealand are the Dominions which the UK has always found "most responsive" to the necessity of keeping the defense of Europe paramount in the Commonwealth's thinking, but tacitly if not formally the other Commonwealth countries are inclined to consider European problems the primary concern of the United Kingdom.

. . . . . .

If the basic aim of the United Kingdom in calling the conference was, in fact, to ensure that all nations of the Commonwealth would stand by the United Kingdom in any future war with the USSR, the conference would not appear to have accomplished a great deal. Before the conference was called the United Kingdom already knew that it could count on Australia, New Zealand, Canada,

[8] For text of the Prime Ministers' Declaration, see Folliot, *Documents on International Affairs, 1951*, pp. 98–100.

[9] For text of Prime Minister Attlee's answer, see *Parliamentary Debates*, House of Commons, 5th series, vol. 483, cols. 38–42.

Southern Rhodesia, and probably South Africa, but India's (and to lesser extent Pakistan and Ceylon) probable position in any such future war was and apparently remains an unknown quantity. Apart from the vague phrase in the final communiqué to the effect that so long as the threat of aggression continues each Commonwealth country will strengthen its defenses, there was no all-Commonwealth decision to prepare to resist aggression, and concrete defense plans were made only between the British and the "old" Dominions. Possibly the British feel that the Commonwealth efforts to work out an acceptable solution to the China–Korea problem will convince Nehru that the United Kingdom's desire for peace equals his own, but the benefits of such intangibles are difficult to evaluate.

In securing an agreed Commonwealth position on an immediate and urgent concrete problem, the British did secure, at least temporarily, a broader basis of support for efforts to delay hasty UN condemnation of Communist China's intervention in Korea. As much as possible the British will attempt to keep the majority of the Commonwealth on their side in this issue and the Commonwealth's action at the conference provides a useful precedent. Nevertheless, the problem of maintaining a close relationship with the United States is more important for the British than maintaining the Commonwealth loyalties, and the British fully recognize that no development would more seriously disturb the "Old Dominions," which are a majority of the Commonwealth, than the appearance of a serious cleavage between the United States and the United Kingdom.

MARGARET JOY TIBBETTS

No. 426

741.5/1-3151: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State [1]

SECRET PRIORITY LONDON, January 31, 1951—4 p.m.

4197. Dept pass ECA/W and Defense. This is joint Embassy-ECA message. New British arms program is about size earlier indicated to Embassy (Embtel 3651 December 27 [*29*] *et al* [2]) but its phasing

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[1] Repeated to Paris for OSR, Rome, Brussels, Stockholm, Copenhagen, The Hague, and Frankfurt.

[2] Document 416.

is slower than we had expected. [3] It appears to be an effort which in size does not fall too short of what might reasonably be expected from British at this time. Fact that government did not condition accomplishment program upon US financial aid but only upon availability materials and equipment, particularly machine tools, and refrained from previous strong emphasis on minimizing adverse economic impact which suggested business-as-usual approach, are encouraging indications.

Estimated expenditure British FY 1950/51 on military production pounds 250,000,000. Attlee's remarks indicate that expenditure on military production alone expected to be more than pounds 500,000,000 in Britain following year and pounds 1,000 million third year. About 8 percent of British GNP will be devoted to military effort in calendar 1951. Magnitude and phasing of program when converted to US FY's are close enough to military program assumed in blue book to make blue book analysis of economic impact (see Toeca R/150 January 19) relevant. [4] Attlee's reference to measures which government will make to provide sufficient resources for program and which will be spelled out by Chancellor in forthcoming budget statement suggests that belt will be tightened to extent necessary.

We believe US official public reaction to British program should not be unfavorable as program represents big and sincere effort by British. However, we also believe that US official comment should not be one of unrestrained enthusiasm conveying impression that British have undertaken maximum possible effort. What is now required we believe is carefully worded US statement indicating gratification at demonstration of firm intentions by British, and willingness to undergo continued austerity, while at same time avoiding creating impression that program automatically fulfills British part of effort which may be required. That kind of statement would tend to shape generally favorable public reaction to program, and, at same time, convey veiled implication that new British program is not the end of story and that further "bite" may be forthcoming. We believe British program represents, in a sense, a compromise between Cabinet members who would have liked an even larger effort and those desiring much smaller one. Attlee suc-

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[3] On January 29, in a statement to the House of Commons, Prime Minister Attlee had outlined the extent of the British rearmament program. For text of his statement, see *Parliamentary Debates*, House of Commons, 5th series, vol. 483, cols. 579–587. A copy of the statement was transmitted to Secretary Acheson by Ambassador Franks on the evening of January 29 together with a letter in which the Ambassador stressed that the success of the program depended on assistance from the United States in securing adequate supplies of machine tools and raw materials. (Memorandum by Barnes, January 30, 741.5–MAP/1–3051)

[4] Neither the Blue Book on the United Kingdom nor Toeca R/150 is printed.

ceeded in striking nice balance. US official comments should be made with that in mind.

Views of Embassy service attachés follow:

Air Attaché: 10,000 Class G RAF reserves to receive 15 days active duty are technical control and reporting people. RAF expects to give some 10 to 12 days training in existing control and report units. Intake will be spread through summer. All 20 of Royal Auxiliary squadrons to include 2,300 officers and men will get great benefit from three months continuous training. Plan not firm as to time, but all will probably not be active simultaneously. These squadrons to be commanded by regular RAF officer and have two other regulars assigned. Also about one third maintenance crews are regulars.

From large pool reserve flying instructors 200 to be called back. Attempt to be made to get them to volunteer for two to eight year contract. Remaining vacancies to be filled by compulsory recall for 18 months.

1,000 reserve pilots to be recalled for three months jet training have been getting only week-end training in very light aircraft.

Army Attaché: British Army now consists of equivalent of nine divisions plus one Gurkha Division. Only six divisions could be fully combat-equipped and sustained in field. Remaining four divisions could be equipped at peace-time scales in many items, but war reserves would be inadequate to sustain them in active operations. New British rearmament program would provide equipment for total of twelve divisions with fairly adequate reserve stocks for active operations.

Accelerated program, therefore will place Army in much better state of readiness as regards essential equipment for both active Army and first contingent of territorial Army. While War Office program calls for completing "as much as possible" of the three year plan by 1 April 1952, many long lead-time items will not be completed in sufficient quantities until end of 1952 or later.

In proposals to Cabinet, Army had asked for recall of Class Z reservists for periods of up to three months with active Army. Plan was designed to provide units in Germany, in Middle East, and in strategic reserve units in the UK with manpower sufficient to bring them to or near full war strength. Cabinet refusal to approve recalls for periods longer than 15 days makes impossible assignment to units outside UK. Thus active Army elements in Germany and Middle East will continue below full war strength.

It will be possible to recall reservists to duty with certain reserve Army units and it is probable they will also be recalled for duty with active Army units in the UK. Program of recall of Z reservists for 15 days will do little more than exercise mobilization machinery for those units involved and permit bringing reservists personnel record up to date. Training value for this short period will be negligible.

Slim, chief Imperial General Staff, and other high military authorities reportedly greatly disappointed over government's failure require three months training reservists. We believe they will continue efforts to persuade government to their viewpoint.

It is to be noted that one primary difference between present US troop program and that approved by Cabinet for British forces is that no units of territorial Army are being called into active service for more than their ordinary two weeks summer training, whereas US National Guard divisions (nearest equivalent to territorial Army) are being recalled for indefinite period of federal service. Furthermore, British program does not create any additional active Army units except a relatively few logistical and headquarters units.

Naval Attaché: RN obtained exactly what Admiralty asked for. Increases in personnel meet requirements for reactivation following ships now in reserve: 1 light carrier, 2 large minelayers, 12 destroyers, 4 frigates, 16 minesweepers.

These will all be in commission and with assigned operational units by end this year except DDS which will be in commission by end 1952. Increased funds designed to permit acceleration conversion and modernization programs build up supplies and enhance readiness reserve fleet. Data on effect on building program and on strengthening fleet air arm not available yet but not believed significant.

GIFFORD

No. 427

611.41/1-3151

Memorandum of Conversation, by the Director of the Policy Planning Staff (Nitze)

SECRET [WASHINGTON,] January 31, 1951.

Subject: Consultations between the U.K. and the U.S.

Participants: Sir Oliver Franks, Philip C. Jessup and Paul H. Nitze

We referred to the conversation which Sir Oliver Franks, Sir John Slessor and we had had at Averell Harriman's home and to the meeting Mr. Jessup and I had had the next day with Sir John Slessor. [1] I then read the first two paragraphs of the memorandum of January 18 which was prepared for the Secretary to send to Mr. Lovett. [2] I pointed out that Sir John Slessor originally had had in

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[1] No record of these conversations has been found in Department of State files.

[2] The first two paragraphs read:

"Sir John Slessor asked Phil Jessup and Paul Nitze whether it would be possible to work out an informal arrangement for more regular consultation between the U.S. and the U.K. on problems in the political-military field likely to be of importance to both countries. He recognized that such consultation should not be for the purpose of arriving at agreed positions binding on both countries, but he thought

Continued

mind something of a more formal and binding nature, but that this informal exploratory type of approach seemed to us to be wiser and that Sir John had agreed therewith. Sir Oliver said that he agreed that it was wiser.

I then went on to say that Mr. Acheson and Mr. Lovett had talked the matter over and that they had come to the conclusion that something along this line would be useful, but they felt that three additional points should be made clear:

1. That the meetings should not be held at stated intervals.
2. That we should not attempt to arrive at formal decisions or even tentative agreements; the meetings should be for the exchange of ideas only.
3. That no agreed minutes of the meetings should be attempted.

Sir Oliver said that he agreed in general, but wondered whether it might not be possible to have each side keep its own minutes and then exchange them so that misunderstandings could be avoided. Mr. Jessup said that he thought it would be wiser if each side dictated its own memorandum of conversation but that we not attempt to exchange or coordinate these memoranda.

Sir Oliver also suggested that, in order to preserve some degree of continuity, the person who was responsible for the arranging of meetings might check with each side at least once a month to see whether there were matters which would be appropriate for discussion. Mr. Jessup and I agreed that it might be advisable to have meetings as often as once a month in order to preserve some degree of continuity, but that we thought any checking should be a matter of internal procedure within either the State Department or his Embassy rather than an agreed procedure.

Mr. Jessup then asked whether it might not be wise to have some preliminary discussion of the matters which either side might wish to bring up at an initial meeting. Sir Oliver said that he thought that his government might wish to raise the subject of the decisions which may be facing us in the Far East following the passage of the resolution on Chinese aggression and the general improvement in the military situation. I suggested that we might

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that each country might be able to arrive at sounder decisions if it were aware in advance of the tentative thinking of the other.

"He said that Franks and Steel on the political side and Tedder on behalf of their JCS were kept fully informed of U.K. positions, and were given sufficient latitude to be in a position to handle the U.K. side of such consultations effectively. He thought that meetings might be arranged when either side thought they had something of importance to bring up. This might result in a meeting once a week or so. He asked whether we on the U.S. side would be willing to designate someone on behalf of State and someone on behalf of Defense and the JCS to at least try such an arrangement on an experimental basis." (611.41/1-1851)

wish to raise again some of the problems taken up at the last Tedder–Franks–Bradley–Jessup conversation. [3]

Sir Oliver then reviewed his understanding of the type of discussion which it is we have in mind and said that he was certain this would be acceptable to his government. He then asked whether we on our side were ready to proceed. We said that we thought there was general agreement on our side, that discussions of this type would be useful, but that no decision had yet been made as to who specifically would represent State and Defense. [4]

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[3] Presumably a reference to the so-called Bradley–Tedder talks at the end of October 1950; for documentation, see *Foreign Relations*, 1950, vol. III, pp. 1686 ff.

[4] In memoranda dated February 7 and 9, Secretary Acheson and Deputy Secretary of Defense Lovett designated Jessup and Nitze and General Bradley and Admiral Forrest P. Sherman to be the respective U.S. representatives. (611.41/2-751 and 2-951)

The first of the informal political-military talks took place on March 1 with Yugoslavia as the subject of discussion; a second meeting took place on April 6 to discuss certain aspects of the Korean situation; three more meetings occurred on May 16 and 24 and June 19 with the subject of discussion a Middle East Command. For a memorandum of the discussion on Korea, see vol. VII, p. 307. Regarding the three meetings on a Middle East Command, see vol. III, Part 1, pp. 479 and 522.

No. 428

741.5/3-951: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State

SECRET LONDON, March 9, 1951—6 p.m.

4853. This is joint Embassy, ECA, MAAG message in reply to Deptel 4050 March 7. [1] Treasury representative also concurs.

Presumable judgment that British program requires no dollar assistance beyond end-items is based on expectation that sterling area dollar gap will not reappear in near future. We share that expectation. British program for next FY can be carried out without dollar assistance and its fulfillment was not predicated upon dollar

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[1] Telegram 4050 reported the Department of State position on the British defense effort as follows:

"1. Present UK defense program probably requires no US assistance except end items.

"2. Program adequate measured by presently accepted criteria although admittedly these criteria now under scrutiny.

"3. US shld not push Brit for increased effort in absence or in advance of US policy decisions re MTDP acceleration and closing gap between commitments and MTDP requirements."

The Embassy in London was requested to comment on this position. (741.5/3-751)

assistance as necessary condition. However, absence of reference to dollar aid in presentation of program to Parliament was explicitly explained during debate as appropriate pending results of multilateral burdensharing exercise in NATO. Key issue here is whether our approach in multilateral exercise will be rigidly governed by dollar gap criterion. If there is possibility of flexibility in our approach, whether rigid dollar gap criterion modified by considerations of burden in terms of resources in general or in terms of all-currencies balance of payments, important that results of exercise not be prejudged by Congressional presentation which would tie our hands to dollar gap criterion. Preferable then to leave administrative flexibility in allocation of funds to considerable extent to cover cases where burden-sharing exercise indicates aid is desirable. British case must face expectation that strain will be evidenced by over-all balance of payments deterioration and accumulation of sterling balances even though sterling area dollar reserves may be up. If despite this expectation there is not to be flexibility in our approach, and dollar gap is to be necessary condition for aid whatever other conclusions of burden-sharing exercise, that fact should be communicated to British immediately since they have evidently assumed otherwise. If fact of no dollar assistance except end-items should become known to British public only through specific or inadvertent disclosure during Congressional presentation, we would expect seriously adverse public reaction here.

Judgment of adequacy of British program obviously will vary as assessment of urgency of situation and apportionment of military tasks vary. Military appraisal here of extent to which British program fulfills existing targets is in preparation and will be forwarded. Pending results this appraisal tentative reaction here is that British program adequate. Although prospective effort clearly not proportional to US effort, it appears to approach maximum long-run effort of which economy capable to much same degree as US program which has been revealed to date. If reassessment of situation leads to acceleration of MTDP and further increases in US program, then basis for pressure on the British for further upward revision of British program would be laid.

We do not believe that US should attempt at this time to "push British for increased effort". Expanded British program has only recently been announced. It involves definite sacrifices, including reduced consumer consumption. Program generally accepted despite some grumbling within labor party. Government has not yet spelled out full implications program (this cannot be done until budget presentation in early April) except to give rather cheerless forecast that under this program shortages will not be as severe as existed during last war.

While admittedly standard of living could be reduced more drastically, government believes current proposals adequate in terms: (a) international situation, (b) contributions by other NATO countries, (c) impact on British economy.

In addition we consider it important that US not be placed in position of prodding British further at this time. There has recently been considerable amount of public criticism of American dominance (latest manifestation of which was the admiral affair [2]) and if the US unilaterally were to challenge the adequacy of the defense program before a general NATO decision and before the implication of current programs have even been fully weighed, we believe it would have a most unfortunate reaction.

We of course favor a reappraisal of the British effort if decision is reached to raise sights across the board. In addition we recognize the possibility, at some later stage, that the British and ourselves might wish to combine in an effort to demonstrate joint leadership to use an expanded British, American program as an example before NATO to persuade the continental powers to make a greater effort. Under such conditions the criteria applied to the British effort might be somewhat different from those applied to the programs of other European members. However, we do not believe that this is the time to attempt to use the British for such pacesetting.

As you know, British are deeply concerned whether they will be able to obtain sufficient supplies of raw materials, component parts and machine tools under their present defense program. These doubts have perhaps some added justification because of reported feeling in some quarters in Washington that such items in short supply should largely be retained for American production because of its productive capacity and ability to produce more quickly. Accordingly, before we embark upon an effort to obtain an expanded British program we should make sure that not only the current British needs for items in short supply but the expanded needs (which might be considerable) would have at least a reasonable prospect of being supplied.

GIFFORD

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[2] For documentation on the nomination of Adm. William M. Fechteler to the Supreme Allied Command, Atlantic (SACLANT), see vol. III, Part 1, pp. 464 ff.

No. 429

611.41/3-1451: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State [1]

SECRET LONDON, March 14, 1951—7 p.m.

4928. 1. Purpose this telegram is to bring up to date analysis British attitudes toward US outlined Embtel 4022, January 20. [2]

2. In general critical attitudes described in reftel remain and a pronounced shift of opinion in our favor has not yet set in. Widespread concern over international situation illustrated by fact that during recent 4 week period Labor party headquarters received 86 resolutions on foreign policy from local Labor parties whereas normally only about 12 are received each month. Volume resolutions being submitted continues at about this rate. However, unfavorable attitudes seem less intense though paradoxically more widespread. Latter explicable in terms of time lag between man in the street opinion on the one hand and "informed" and governmental opinion on the other.

3. Fact that intensity of criticism US has fallen off somewhat is due mainly to certain external developments. These include:

(a) Of greatest importance has been favorable change military situation Korea accompanied by lessening apprehension re nature US objectives in FE. Latter development has sprung in part from belief greater restraint being shown by MacArthur and Washington with respect to such questions as sanctions against China, Formosa, and the 38th Parallel and in part from confidence General Ridgway has inspired here. Fear that US action in FE might precipitate general war has accordingly decreased. Lessening public interest illustrated by recent marked falling-off in "peace with China council" meetings.

(b) General Eisenhower's statement on German rearmament [3] reduced temperatures among serious critics in Labor party on this issue, who had impression that US had been using steamroller to flatten out opposition to its point of view. This reaction was given further impetus by Attlee's statement to effect various conditions (Embtel 4412 February 13 [4]) must be fulfilled before Germans allowed to make contribution to Western defense.

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[1] Repeated to Paris, Frankfurt, Brussels, Rome, and The Hague.

[2] Document 420.

[3] For text of General Eisenhower's report to Congress on February 1, see Department of State *Bulletin*, February 12, 1951, pp. 245-251; for further documentation on his tour of the NATO capitals and Germany during January 1951, see vol. III, Part 1, pp. 392 ff.

[4] Not printed; for Prime Minister Attlee's speech in the House of Commons on February 12 on foreign affairs, see 484 H.C. Deb., 5s, pp. 58 ff.

(d) Straight-forward character of last Western note to Soviets re-proposed 4-power meeting [5] and agreement between US, UK, and France over tactics to be employed have helped remove doubts re US willingness to talk with Russians. Press reports from current Paris meeting have tended to confirm this opinion. [6]

(d) Finally, more and more British believe "great debate" in America is fizzing out and trend of debate seems to disprove contention that Taft–Hoover are the voice of America.

4. Salutary effect these developments has been partially offset by some adverse factors.

(a) Choice of American as Supreme Commander Atlantic touched British pride at one of its most sensitive spots, the Royal Navy, and set off a violent all-party flare-up. Criticism first aimed at Attlee for failing look after British interests but is now turning into irritation and to some extent resentment at US, giving substance those arguing US dominating NATO and West's defense effort. This feeling still continues.

(b) Primary blame for raw material shortages has been placed on US and this has had an adverse effect especially in governmental and business communities in view of growing and critical impact of shortages on production. For example, after describing serious effects sulphur shortage, Harold Wilson, President BOT, told House of Commons that shortage British requirements was only 3 per cent of total US consumption, and that US was holding substantial stockpile. Belief is generally held that US anxious obtain international allocation raw materials outside its control but will unilaterally allocate those materials it controls and in doing so will see that US needs are fully met first.

(c) Of more general nature is suspicion in some British quarters that, while isolationism in US may now be dead duck, the American policy of containment will not remain defensive. Some British fear US will not be willing sustain rearmament burden indefinitely and that, once our arms stockpile built up, there will be strong pressure use this new strength to attempt to dictate a "settlement" with Soviets on our terms which would bring a violent reaction from them. There is also fear by some that armament races "in the nature of things" always lead to war. This fear reflected in warm reception given Bevin's speech during defense debate in which he emphasized purpose British rearmament was to maintain the peace and through renewed strength to obtain peaceful relaxation of world tensions.

5. Domestic political situation has had at least peripheral effect on development attitudes toward US. Greater differences on foreign policy have become evident between rank-and-file Conservatives and Labor opinion since despatch reftel even though their broad objectives remain fundamentally the same. On China–Korea,

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[5] For text of the tripartite note of February 19, see vol. III, Part 1, p. 1083.

[6] For documentation on the Four-Power Exploratory Talks at Paris, March–June 1951, see *ibid.*, pp. 1086 ff.

for example, Conservatives have tended to voice views somewhat at variance with those of Labor, specifically re seating Chinese in UN, although Conservative views not identical with US position. On Spain, as another example, many Conservatives have indicated they would favor Spanish association in defense arrangements in some form or another. Rank and file Labor opinion would, of course, fiercely resist any such move. This gap between Conservatives and Labor opinion arises in part from conviction but has been widened by domestic political warfare. Conservatives are taking advantage of all opportunities which might win them votes or embarrass government and they are making limited use of foreign policy questions for this purpose. This has thrown Labor on the defensive. Even a few members of government occasionally succumb to temptation of taking a fleeting sideswipe at the US, such as the assertion by Bevan that British rearmament would not be accompanied by kind of hysteria prevalent "elsewhere". If an election were held in the near future, this gap would widen even more with many Labor candidates, in an election in which Labor was fighting to retain power, attempting to capitalize on distrust of certain American policies and the desire for an "independent" British policy.

6. Government has been concerned about effect on Anglo-American relations of adverse public attitudes toward US and has sought to dispel misconceptions. For example, during recent foreign affairs debate PriMin underscored importance US–UK unity. He has been careful to assume full British share of responsibility for appointment North Atlantic Commander and has not produced any American scapegoat by hint or innuendo. Speeches within past 2 weeks by Morrison and Shinwell have highlighted identity US–UK interests and have bluntly refuted charges that Americans were browbeating British.

7. In spite of external developments described paragraph 3 and efforts on part of government, we believe situation here as regards British public attitudes toward US remains tindery. There are certain issues—some dormant at the moment—which can quickly arouse opinion. These include: (a) Formosa, sanctions against China, and question of crossing the 38th Parallel; (b) Our position on 4-power talks and relation of latter to German rearmament; (c) Further command appoints under NATO; and (d) Spain.

8. Attitudes here in these problem areas will of course be determined mainly by substantive policies of US on one hand and British Government on other. But they will also be substantially influenced by means we adopt to arrive at policy coordination with British. British naturally expect differences with US. But they do not understand, and will resent, unilateral moves by US on problems

in which they have an interest equal to our own—such as Spain—especially if we do not first make every effort to reach a common policy. British sensitiveness on these points will be increased because feeling between the 2 parties has reached a new high. In present pre-election atmosphere, neither Conservatives nor Labor will "dispassionately and objectively" examine such a problem as North Atlantic Command appointment. On the contrary, frayed tempers will produce even caricatured reactions on some foreign policy problems.

9. British attitudes on basic international issues are of course identical with our own. They will stay that way. But the pressures on the government caused by the above opinions and situation have been sufficiently strong to bring a reaction from the government in terms of the emphasis and shadings of various policies. PriMin's statement on German rearmament is an example. Furthermore, adverse attitudes toward US and fact that principal appointments to date of top positions in NATO have gone to Americans, have diverted public attention from multilateral concept of NATO which if continued might lessen enthusiasm for the West's defense program.

10. We can have a peripheral influence on British opinion through information media. In the final analysis, however, significant shifts in British opinion will only be brought about as the result of action on the government level.

GIFFORD

No. 430

741.5/3-2151: Telegram

The Chief of the ECA Mission in the United Kingdom (Batt) to the Economic Cooperation Administrator (Foster) [1]

SECRET PRIORITY LONDON, March 21, 1951—11 a. m.

Toeca 226. Reference: London Ecato 277, rptd Torep 1754, March 14. [2] This is joint Gifford-Batt message. See also Embtels 4853 [3] and 4933. [4]

1. Gravely concerned about effects of failure consult openly on issues with Brit before congressional presentation. Present course of failing frankly to discuss subject seems cultivate worsening of Anglo-American relations. Brit have taken NATO mutilateral burdensharing examination seriously as basic determinant of aid and in any case have regarded US approach last July and agreed terms of suspension ERP aid as official US indications that assessment of need for aid in support mil program wld be based on mutual reconsideration. They have not been informed to contrary. Relevant terms of suspension ERP aid "and suspension of ERP allotments to UK will in no way affect arrangements which are now being worked out in NATO for assessment and distribution of burden of defense programs of its members." Imperative Brit be informed immediately of US policy decisions so that there will be opportunity for UK Govt to explain situation to country. If news breaks only with congressional presentation Brit Govt and Parliament will be shocked by apparent US disregard multilateral considerations. We understand presentation will stress objective of mil support as basis of all US aid to NATO countries. Important in this connection that US recognition of strong Brit defense effort should be emphasized and that any statements on question of aid to UK should stress present strong dollar position sterling area. If by inadvertence impression is given that Brit are being left out of aid program because mil effort inadequate in comparison to others in Europe this wld tend create worst possible atmosphere for future attempts to

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[1] Repeated to Paris.

[2] Telegram Ecato 277 reported that for the announced U.K. military program no direct supplemental economic aid request would be presented to Congress, but the United Kingdom would continue to participate in other ECA-ERP activities. End-item aid, however, would be provided as appropriate. (ECA message files, FRC 53A278, London)

[3] Document 428.

[4] Telegram 4933 reported that McCaffery, a member of the ECA Mission in the United Kingdom, had talked with a British Treasury official who indicated that the British would be asking for additional military assistance program aid with respect to the dollar content of its defense expenditures. (741.5-MAP/ 3-1451)

induce greater Brit effort if acceleration of MTDP deemed necessary. Likewise, it would tend create unfortunate public impression US re adequacy Brit program.

2. Request immediate instructions on basis of which we can give Brit at high level present US views on aid to UK defense program including aspect of how congressional presentation will be handled. We can then agree with Brit on best way of handling our mutual UK–US public relations problem in same ways as was done with suspension of ERP aid. Suggest we be authorized to take following line with Brit:

(a) Refer to our previously expressed desire to consult frankly about aid problem.

(b) Point out the question of aid to UK will inevitably have to be faced during congressional presentation.

(c) State that on basis of our present analysis UK will not require substantial dollar aid in FY 1952 and we will have to state this to Congress, although we will make clear in presentation that no one can foresee accurately what Brit position will be in future. Stress that past record US sufficient assurance that future deterioration, if any, in Brit econ position as inevitable result strains rearmament would be considered sympathetically.

(d) Express view that this is position which at appropriate time Brit Govt can explain and defend to public and Parliament.

(e) It wld be of decisive help if in addition to above we cld state that final decision on economic aid to all NATO countries must await econ developments including changes in levels of mil efforts and results of burden discharging examination, and that therefore we will ask Congress for some flexibility in allocation of aid funds. Strongly urge such flexible position in presentation in order militate against what wld otherwise be but perverse incentive effects of dollar aid.

3. In any event advise that in no circumstance shld we either to Brit or public suggest Brit left out of program because they did not request and therefore were presumed not to want aid, with possible inference Brit Govt let aid go by default. Reftel interpretation of Brit failure formally request aid inexplicable to US. Brit have always taken view ERP aid ended without prejudice to mil support aid, and never any doubt here Brit expected to be considered eligible for aid if circumstances justified it. Brit official line is that circumstances do justify aid. Of burden-sharing examination, and pending results Brit have tended proceed on basis pattern HPPP arrangements covering dollar content of mil production. Much detailed Brit planning has been proceeding on premise HPPP precedent and procedure wld probably be followed for sizable part entire mil production program.

4. Concur in your view Brit undertaking initial position EPU without offset assistance very unlikely in light apparent US aid position. [5]

BATT

[5] On March 29, in telegram Ecato 358, the Embassy in London was informed that the Department of State and the Economic Cooperation Administration agreed with the substance of this telegram. (ECA message files, FRC 53A278, London)

No. 431

740.4/3-3051: Telegram

The Secretary of State to the Embassy in the United Kingdom [1]

SECRET PRIORITY WASHINGTON, March 30, 1951—noon.

4419. For Ambassadors Batt and Spofford from State-ECA. Webb, Foster, Thorp discussed assistance UK defense effort Franks. [2] Discussion declared informal and for purpose US side indicating direction our thinking. Fol points made by US side:

1) US considers UK program realistic comprehensive. While susceptible expansion nevertheless represents sacrifice part Brit people.

2) In view Brit present strong dol position unable request Congress direct econ assistance other than certain mil end-items. Favorable conditions leading suspension ECA assistance continue and apply equal validity to econ assistance to defense program. We recognize unforeseen developments may create strains but cannot ask Congress now to provide contingently for possible later difficulties.

3) We recall discussions re burden-sharing and realize UK in effect reserves its position request further assistance in event favorable determination to it.

4) We expect Congress will appropriate without establishing rigid country by country basis for expenditure. This will provide flexibility permit us relieve in part shld strains develop or burden-sharing exercise favor UK.

5) In Congressional presentation we prepared say Brit program comprehensive and realistic but not requiring US econ assistance under present conditions. Admin will point out, however, there are factors which cld develop strains which might necessitate reconsideration UK needs. Also that UK needs will be reconsidered if decided expanded or accelerated UK effort required meet NATO deficiencies.

[1] Drafted by Raynor and cleared with Foster and Thorp. A copy was sent to Paris for Katz.

[2] A memorandum of the conversation with Ambassador Franks on March 29 is in file 741.5/4-251.

6) Above decision without prejudice to question indirect aid on account intra-European transfer mil items or through EPU mechanism. If such arrangements decided upon further flexibility re strains and burden-sharing exercise wld be provided.

7) We prepared this fiscal year consider additional $28 million AMP in lieu of funds same magnitude suggested by UK for specific off-shore procurement proposal.

8) US aware magnitude non-dol problem that may arise from surplus exports sterling area to UK and continent. UK may wish approach certain members Commonwealth to suggest as contribution to security free world and under principles mutual assistance and share defense burdens at least some members might consider grants to UK or long-term funding arrangements of percentage of future accumulations sterling.

9) We aware Brit program heavily dependent access critical materials and machine tools. Problem being given urgent attn with discussion Def and production authorities re priorities which can be assigned consistent requirements our own defense effort. [3]

10) Additionally, Webb stressed fact future burden-sharing closely related to burden assumption and if NAT effort shows vigorous progress this wld be most helpful fact in making possible US provide relief for strains UK shld such develop.

Franks indicated personal agreement that dols probably not main problem but thought UK Treas wld vigorously dissent and also not share our optimism re dol position. Franks stressed Brit effort commencing at time when fon obligations heavy which will make UK hesitate embark on course which will increase them from present high levels. There is great concern in UK re build-up of substantial fon obligations both European and sterling balances. Franks felt this wld probably not cause UK to cut back its planned mil program but it might cause policy be adopted of reducing exports from sterling area to West Europe to keep balances down which Franks himself wld view with great concern.

Franks felt our thinking wld be considerable shock in London view history negots especially discussions re burden-sharing. He pointed out many Mins under impression US resources inexhaustible and had expected considerable US assistance present program. Franks also stressed UK uneasiness re raw materials situation.

Franks is recommending Robert Hall be sent Washington review figures with us. We indicated wld be pleased have this done.

If you approached by UK authorities follow line indicated above pointing out this represents direction US present thinking. Franks will undoubtedly renew discussion after he reports London and re-

[3] The nine points summarized here were taken from an undated memorandum prepared in the Department of State. (741.5/3-3051)

ceives reaction and for present we believe you shld not take initiative London re discussion. [State-ECA.]

ACHESON

No. 432

841.00/4-551: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State [1]

SECRET LONDON, April 5, 1951—6 p.m.

5263. State pass ECA/W. Re Deptel 4419, March 30 (rptd Paris unnumbered). [2] Spofford, Batt and I believe serious situation is developing here as result of Brit misunderstanding of US position re economic support aid in FY 1952 to UK as reported by Franks.

In informal conversations with Embassy officer Wednesday, Makins and later Gaitskell referred to talks in Washington with Franks. Both indicated that Brit Govt understand (1) that present Brit economic situation wld make it difficult for US Govt to request Congress for specific amount of economic support aid to Brit next fiscal year and (2) that Congress must be informed soon that such request cannot now be made. They pointed out, however, that UK Govt has assumed that "Nitze exercise" leading to burden-sharing criteria represented official US commitment that US wld take into account, in determining aid, needs of any NATO country, findings of burden-sharing study. They said Brit officials understand from Franks reports of Washington talks, (the reports have reportedly shocked Brit Ministers) that Congress will be told not only that it is not intended to request economic support aid for UK at this time, but that US Govt has decided that UK needs no such aid. In other words, that presentation to Congress will not recognize possibility that outcome of burden-sharing study in which US is full participant might change present US position. They emphasized that UK Mins wld regard this as prejudging outcome of burden-sharing study before it is completed. Gaitskell admitted that burden-sharing study may disclose no reason for US to change present position, but he believes that US shld at least recognize possibility that it might do so. He believes also that US failure to do so, by prejudging results of burden-sharing exercise, wld weaken and complicate Britain's position vis-à-vis other countries.

[1] Repeated to Paris for Katz.

[2] *Supra.*

Impression was gained from Gaitskell and Makins' comments that official belief here that US statement to Congress will "close and lock door" is crux of problem here. If we interpret reftel correctly, this Brit belief wld have to be based on some misunderstanding of what was said to Franks by US officials in Washington. Regardless of origin, however, official attitude here is, we believe, accurately reflected in Gaitskell's comments. Gaitskell obviously confused over situation and disturbed because, during his forthcoming budget speech in Parliament, he will almost certainly be interrogated about aid which UK might expect to receive from US during coming fiscal year.

If it is the official US intention, as we believe it is, to make clear to Congress that, while no request is now to be made to cover US economic support aid to UK, US Govt will give due consideration to any requirements for aid which might be disclosed by burden-sharing exercise, that policy shld be made crystal clear to the British. Authority is requested to make it clear to high officials here as soon as possible.

When we refer herein to economic support aid we exclude end item aid, but not necessarily technical assistance, OD, etc.

GIFFORD

No. 433

ECA message files, FRC 53A278, London: Telegram

The Economic Cooperation Administrator (Foster) to the ECA Mission in the United Kingdom [1]

SECRET WASHINGTON, April 6, 1951—8 p.m.

Ecato 397. Reference: Toeca 275, rptd Torep 215. [2]

I. The Situation: 1) Details discussions with Rowan, Clark, Hall following Webb–Franks meeting being sent separately. [3]

2) Brit being told:

a) On present analysis here will be no direct country allotment of aid FY 51/52, this without prejudice to continued participation other ERP activities.

b) Certain end-item aid will be continued.

c) Reconsideration present decisions wld follow changed circumstances.

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[1] Repeated to Paris.

[2] Not printed.

[3] The report on the meeting held April 4 was transmitted in telegram Ecato 398 (741.5/4-651); regarding the meetings on April 5 and 6, see the memorandum of conversation, *infra*.

d) US not denying possible obligation that might arise from burden sharing exercise but Brit were told objective of not increasing gold and dollar reserves still major consideration in our approach to problem.

3) When time comes for definite public announcement, we assume Brit Govt will accept responsibility of presenting possible US assistance limited to mil end-items in most favorable light.

II. *What can be said:* You are in better position to decide what response should be made to Brit officials on subject of aid, but any statements should be made in light of situation as described above. We inclined believe Brit public would accept decision on limited aid to Britain in whatever spirit is indicated by Brit Govt. Hope treatment will be as with suspension ECA aid last fall when Brit given psychological boost by this evidence ability to stand on own feet. Re your statement no distinction made between end-item and AMP programs, presumably announcement continuation end-item aid would go long way satisfy public. Some of following points might be made. These and others have undoubtedly already occurred to you.

1. Obviously, finance and production problems of meeting NATO defense requirements are being discussed both bi-laterally in terms of current economic and financial situation in UK and multi-laterally among NATO members.

2. No final decision yet on quantity end-items but substantial flow in FY 51/52 may be considered most likely.

3. Even if it were decided in full consultation with Brit and other NATO powers that in its present econ circumstances, Brit required no direct US financial aid, such decision wld not preclude sympathetic consideration of stresses and strains in Brit econ which might develop in future but do not exist at present, including those which might arise from increase or acceleration of Brit mil program.

4. If decision in 3 is adopted it will be made clear that it does not imply inadequacy of Brit effort which US recognizes as substantial and realistic

5. Shld be matter of pride for Brit that within their own means they are able to mount program of this magnitude as contribution to security free world.

FOSTER

No. 434

841.00/4-651

Memorandum of Conversation, by Alexander M. Rosenson of the Monetary Affairs Staff

SECRET [WASHINGTON,] April 6, 1951.

Subject: 1951–52 Economic Aid to U.K.

Participants: U.K.—Sir Leslie Rowan, Mr. Robert Hall, Mr. Otto Clark.
U.K.—Mr. Allan Christelow, Mr. J.A. Jukes.
ECA—Mr. Bissell, Mr. Woodbridge, Miss Ripps.
State—Mr. Raynor, Mr. Levy-Hawes, Mr. Rosenson.
Treasury—Mr. Willis, Mr. Hebbard.

Before the British arrived Mr. Bissell reported briefly on a meeting he had had with them the previous day. [1] In comparing our statistics with theirs he had found that there was practically no difference on the internal accounts (national income, etc.). On the external accounts we had come out with a $300 million deficit, whereas their figures showed an over-all balance. However, most of the difference was accounted for by the fact that they had assumed $250 million in AMP aid. The really important difference was on merchandise account, where the British forecast both imports and exports at considerably higher levels than we. Imports were one billion dollars larger and exports $500 to $600 million larger. The import figure included about $420 million for strategic stockpiling for which we had made no allowance. Thus, apart from this item, they assumed both imports and exports to be $500 to $600 million higher.

Mr. Bissell pointed out to us that the British figures implied either a higher world production or a larger British share of existing production at the expense either of the United States or of Europe. While the exact implications of these estimates cannot be known until they are broken down by commodity, Bissell thought the British have been overly optimistic. He believed that, given present serious world shortages, it would be difficult for us to accept the British import figures. The British, on the other hand, insisted that the level of imports they had assumed will be necessary if they are to attain their projected GNP and defense effort. They told Bissell that they are prepared to meet the balance-of-payments impact of the stockpiling out of their own resources.

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[1] No record of this meeting has been found in Department of State files.

Bissell said he is concerned about the U.K.'s cutting off the supply of sterling-area raw materials to the Continent in an effort to eliminate the bilateral surplus. He thinks the U.S. should consider a revision of the EPU to support some increase over 50 percent in the amount of dollars that the U.K. would get out of such a surplus. He personally would not favor 100 percent but thought that 75 percent might be about right, as it would permit us to point out to Congress that the U.K. was still financing 25 percent of the sterling-area surplus with Europe. He would make the new rule general, i.e. to apply to all creditor countries in EPU, although at the present time the U.K. is in practice the only important creditor. He thought the EPU was the most logical channel through which to extend aid to the U.K. if we had to.

He made clear, in an *obiter dictum*, that he had very little use for the concept of burden-sharing and thought it most unfortunate that we should be committed to it. He foresaw great difficulty in our adhering to the principle.

At this point the U.K. representatives arrived, and Mr. Bissell started the meeting by making the following points:

(1) Though we all recognize the U.K.'s special problems on account of its relation to the sterling area, the U.S. must nevertheless adhere to the principle that we cannot give aid for the purpose of increasing reserves.

(2) Joint consideration of commodity problems will continue next week.

(3) Our economic aid estimates remain subject to the final results of the burden-sharing exercises. We intend to maintain complete flexibility as among all the OEEC countries. We are also trying to get flexibility in the legislation as among areas and between end-item and economic aid. He stressed, however, that there will be a fixed upper limit.

The big issue, and the one to which the British representatives confined their attention almost exclusively, was the conflict between the burden-sharing principle and the reserve principle. Clark said that some countries would be economically weakened by the defense effort and that we should permit them to increase their reserves so that they might catch up after the armament period. Rowan referred to the accumulation of sterling liabilities. He said that the U.K. wants no aid or favors. It simply wants to make sure that by the "end of the day" it will have borne only its fair share of the burden. If we keep our attention riveted only on reserves, the whole objective of the burden-sharing exercise may be frustrated. We entered this thing as allies and partners, and we set up the Working Group of 12 to formulate criteria for equalizing the

burden. [2] The injection of the reserve principle may prevent a significant collective act of judgment.

Rowan said the present NATO defense effort differed from the recovery program. There the problem was one of "absolutes"; here it is one of *comparisons:* i.e., what is a fair burden? He thought our present objective is a dual one: (a) rearmament, (b) maintenance of the economies of the participants. We should not introduce a rigidity which would frustrate these objectives.

Clark thought that the entire external capital position of countries, rather than merely their gold and dollar reserves (which are only one element in such a position), should be taken into account. If this were done, it would not be necessary to consider the U.K. as a special case because of its sterling liabilities.

Though the foregoing arguments put Bissell on the defensive, he stuck doggedly to the point that the main principle by which U.S. must be guided is that aid should go only to finance the transfer of real resources among the NATO partners and not to build up future claims as among themselves. In this connection he repeatedly stressed the legislative history which had been built up and the difficulty which any other policy would encounter in Congress. He stated, however, that while the reserve principle must remain our general policy, we would take special factors into account as qualification thereto, and would so inform Congress. We would not let the policy become a "strait jacket".

Rowan said his Government considered it of the greatest importance that the Congressional presentation reserve final judgment on the amount of economic aid to the U.K. Otherwise, we would prejudge the outcome of the burden-sharing exercise. He said that it would also be desirable to have as much flexibility as possible in classifying particular categories of goods as military end-items or economic-aid items respectively; he gave machine tools as an example.

Bissell ended the meeting by reiterating that the U.S. will have to adhere to the reserve principle and that we may find it difficult to depart from that principle even in the burden-sharing exercise. However, we should be able to find ways to help out countries in difficulty because of special situations. In this connection he mentioned, without elaboration, the possibility of some marginal transfers as between end-item and common-use goods and perhaps doing something through EPU. To the British the last phrase, mentioned almost incidentally, was undoubtedly the most significant of the

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[2] For documentation on the work of the NATO Group of 12, see vol. III, Part 1, pp. 1 ff.

meeting. However, they did not choose to pursue it, at least on this occasion.

No. 435

ECA message files, FRC 53A278, London. Telegram

The Chief of the ECA Mission in the United Kingdom (Batt) to the Economic Cooperation Administrator (Foster) [1]

SECRET PRIORITY LONDON, April 11, 1951—7 p. m.

Toeca 304. Toisa from Batt with full concurrence Ambassador.

(1) At my request Hitchman, HM Treas, arranged mtg with Robert Hall to enable us to ascertain substance of Hall's report to his govt re Wash talks [2] and govt reaction. McCaffery accompanied me.

(2) Hall made it clear that Brit now completely satisfied with Wash assurances he stated recd on fol points:

(a) That econ aid figures presented to Congress wld be illustrative only, even though on US calculations UK share now looked like zero.

(b) That reconsideration present decision wld follow upon changed circumstances.

(c) That US will make explicit to Congress possible obligations that might arise from burden sharing exercise.

(d) That flexibility will be provided in presentations to allow for possible results (b) and (c).

(3) Hall then went on to say that while earlier Brit worries as result Webb-Thorpe-Foster interview with Franks [3] have been allayed by above assurances, able further fact developed during Wash discussions which causes new and even graver concern. Namely that US will not extend aid to country whose gold and dollar reserves are increasing regardless of burden sharing exercise or any other considerations. [4]

(4) He stated that it was not news to Brit that this line of thought was emerging in Washington, and had in fact been a major factor in US thinking re suspension of ERP aid, but it was news of the first magnitude and of a most disturbing kind to find that this

[1] Repeated to Paris.

[2] Regarding these talks, see the memorandum of conversation *supra*, and telegram Ecato 397, Document 433.

[3] Regarding this interview, see telegram 4419, Document 431.

[4] On April 13, Ambassador Batt was informed that his appreciation of the conversations was essentially correct, although paragraph 2(c) had not been stated quite so explicitly. (Telegram Ecato 422, ECA message files, FRC 53A278, London)

concept might formally and publicly emerge as official US fon policy under any and all circumstances. News most disturbing despite personal view shared by Hall and Gaitskell that it not likely that US aid to Britain coming FY will be indicated by burden sharing exercise.

(5) Chancellor now completely occupied with budget presentations Parliament but Hall emphasized in strongest terms Gaitskell will be profoundly concerned above development, and in this context Hall outlined difficulties Chancellor wld face in explaining to Cabinet and later Parliament a US position that did not recognize possibility of real burden on UK shld overall external liabilities substantially exceed growth in dollar reserves. He emphasized Chancellor's personal and official desire to do nothing that might raise temperature here. Hall then made most candid and revealing statement. Said Chancellor had carried the burden in persuading Cabinet to increase defense effort from 3.6 billion pounds to 4.7 billion. In winning full Cabinet over to increased effort he had argued strongly that govt's duty to own people required strongest effort consistent with maintaining sound supporting economy, but had finally won united support when he stated that US had agreed to be participant in burden sharing exercise, which while in no way assuring that road ahead would not make grave demands on Brit people wld nevertheless provide reasonable assurance them that burden wld be borne equally.

(6) I indicated that while I had not thought Wash decision referred to (3) and (4) above so broad as Hall implied (I have seen summary of NAC action re gold and dollar reserves, of aid recipients of Dec 26, 1950), we thought Brit shld know that objective of not increasing gold and dollar reserves was not one quickly contrived by Washington under pressure of preparing for Congress presentations, but rather represented consensus of admin thinking over long period. We pointed out that this was broad view not applying to Brit alone but to all countries.

(7) Further conversation revealed, I believe, that shld US point of view toward aid not only in bilateral but also multilateral discussions and US actions re aid for fiscal 52 reflect our conclusion that under present circumstances no econ aid shld be extended to any country with rising reserves, Brit wld understand and accept our pressing such view. Brit wld not understand and accept such US action if concurrently we established in Congressional history and in public pronouncements a position which prejudiced future action under altered circumstances.

Amb and I cannot see any reason why it is to US advantage to make the gold reserve restriction explicitly binding upon our future aid policy and thus tie our hands; while absence of any ex-

plicit Congressional and public record of such unequivocal position wld greatly help in our relations with Brit.

(9) We regard Gaitskell's stature in present govt as firmly established and consider him especially sensitive to need for maintaining Anglo-American relationship on soundest basis of amity. Our view that he can be relied upon to present US views to Brit Parliament and public in terms favorable to US if given reasonable position in principle. Regard it as most desirable in US interest to assist him in this regard.

(10) We assume last clause para 2(a) above does not preclude exception for technical assistance, OD, etc, or any possible conditional aid.

BATT

No. 436

611.41/4-3051

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Secretary of State [1]

SECRET [WASHINGTON,] April 26, 1951.

Subject: U.K. Relations

Attached is a memorandum outlining very briefly various points of difference with the U.K. existing today. I call your attention especially to the first part of the memorandum listing certain general considerations which enter into specific problems time and again and which if taken into account more fully in our day to day relations would minimize many points of friction and eliminate others.

There are four major points I wish to stress:

1. Access to raw materials is the issue which contains the potential of more trouble on the British side than any single issue. This is vital to the success of the present U.K. defense effort let alone any increase which may be required to meet NAT deficiencies. It could cause serious dislocations in the U.K. economy, unemployment, etc., which could create very bitter feelings.

I recommend that the Department make vigorous efforts with other U.S. Departments to insure that the U.K. receives an adequate and fair share of available materials. This will not be easy as it is becoming increasingly evident that there is not enough for our own military program and those of our Allies unless civilian consumption in this country is curtailed well beyond present plans.

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[1] The source text was attached to a memorandum from Perkins to Webb, dated April 30, which stated that another copy had been sent to Secretary Acheson a few days before. The memorandum was drafted by Raynor.

2. In this country the Far East will probably cause the most trouble. It is our belief that fundamental questions such as recognition and UN representation are likely to be settled only by events rather than by conversation. Provided the MacArthur debate is received in favor of the Administration, his removal from the scene should create a climate in which progress can be made toward agreement on selected issues such as economic sanctions and Chinese participation in the Japanese Treaty negotiations.

3. On Iran we are right in pressing the U.K. to make a better offer and should continue to do so as we feel her present offer will not be acceptable to the Iranians and may lead to a very serious situation. But when she reaches her limit we should be prepared to render her strong support within appropriate limits. This is a case where our general interests coincide but where additionally the U.K. has a special direct interest of the greatest importance and can rightly expect our support. NEA has not cleared this and would have reservations on the question of our support.

4. In view of the delicate nature of our present relations all Bureaus having problems involving the British should be instructed to keep fully in mind the general considerations listed in the attached memorandum and to seek the advice of BNA on all pending action so that the effect of all individual actions can be assessed in the light of the overall effect on our relations with the U.K. In this connection it seems important that we extend our practice of consultation with the British on matters of mutual interest and be most careful to assure that on matters in which they have an interest the consultation is full and not in any way perfunctory.

[Attachment]

Paper Prepared in the Department of State [2]

SECRET [WASHINGTON,] April 25, 1951.

IMPORTANT POINTS OF DIFFERENCE ON POLICY BETWEEN THE UNITED KINGDOM AND THE UNITED STATES

Fundamentally Anglo-American relations are strong and constant, but at the present time there are certain outstanding divergencies between the two countries which create temporary friction.

The British are aware that the U.S. has since World War II taken over many of the global responsibilities formerly in the hands of the British and are glad the U.S. has assumed the leadership of the free world. The U.K. is fully conscious of the necessity of partnership with the U.S. and consequently supports the U.S. position on large issues (with the notable exception of Far Eastern

[2] The source text bears the handwritten notation "Sec[retary] saw. L[ucius] D. B[attle]".

policy) but below the surface lies a sensitive reaction to the new U.S. world-wide position.

Although willing to support us on most large issues even when she has doubts as to the correctness of our positions, Great Britain feels that on questions when her interests are directly involved the U.S. should support her. Underlying our differences are British apprehensions over what the United States might do unilaterally. They are not convinced that even with the best of intentions, we will acquire the skill and strength fast enough to pilot the free world safely through the dangers that beset it. This lack of conviction stems in part from their belief that we tend to blow hot and cold, that we sometimes proceed from anger, that the State Department, because of public and congressional lack of confidence may be unable to carry out essential policies. If British overall confidence in the ability of U.S. leadership to pull them and the rest of the free world out of its difficulties was complete, the differences between us over specific issues would be much less. It is partly because of this doubt about U.S. leadership that they are unwilling to yield to us in certain areas such as the Far East and why they often go along with us only part way. When our overall leadership seems to the British to be good, the specific differences become less in number and intensity; when the reverse is true, and when our prestige abroad is low, our differences increase in number and sharpness. We are in a period now when the British confidence in the infallibility of our leadership is low. Until this is reversed we can expect continuing and sharp differences.

The outstanding questions between the U.S. and the U.K. are listed below:

I. GENERAL PROBLEMS RELATING TO ASSISTANCE TO THE BRITISH DEFENSE EFFORT

A. *Raw Materials Allocation:* The U.K. has stressed for some time its reliance on ready access to raw materials. It is correct to say that this factor rather than finance is the possible limitation on the present British defense effort. In order of magnitude, the critical raw materials from U.S. sources are sulphur, zinc, cotton and copper. From world sources wool would be added to this list. allocations thus far have been disappointing to the British. Their estimates of requirements for their program are in excess of our estimates of their reasonable share of world availabilities.

The Department should make a vigorous effort to educate the other Government Departments on this question to the end of meeting U.K. requirements as this is vital to the success of the present U.K. defense effort, not to mention any increase which may be needed to meet deficiencies.

B. *Machine Tools:* Machine tools constitute a similar problem but this seems to be better in hand than the question of raw materials. The British are pleased by our recent decision to complete our 1951 AMP commitment by financing machine tools. Some of the good effect of this, however, was dissipated by ECA raising the counterpart fund issue which seems to inject unnecessarily an irritant into the situation.

C. *U.S. Assistance to British Defense Program:* The U.K. has accepted without serious protest our decision not to request direct economic assistance for the U.K. in fiscal '52. However, they have asked and we have agreed to retain as great a degree of flexibility as possible in our presentation to Congress to provide for contingencies.

While the British will receive end-item assistance, our present thinking is in an amount far below their estimates. This has not yet been talked out and may be a source of potential disappointment.

The U.K. is especially concerned over our criterion that economic assistance should not result in increased gold or dollar reserves. They are apprehensive that if this is frozen into policy or legislation it would (a) prejudge the burden-sharing exercise on which they have placed great hopes and a commitment from us for a fair hearing and (b) that this criterion just does not fit the U.K. where complete external balance of accounts, not merely dollar and gold, is the important factor.

The decision of no direct aid while a logical one has a serious potential for generating ill-will. This will be especially true if inadequate supplies of raw materials bring about serious dislocations in the U.K. economy.

II. FAR EASTERN QUESTIONS

The British have been fearful that General MacArthur would by some unilateral or some impetuous local action involve the U.S. in a major Far Eastern war with Communist China with commitment of maximum U.S. forces and considerable U.K. and Commonwealth forces in the Far East. If the elimination of General MacArthur from the Far Eastern picture is followed by a resolution of the pending debate in favor of the Administration, the greatest irritant to US–UK relations with respect to the Far East will have been removed.

A. *Recognition of Communist China:* The British believe they are right in principle on this matter and it is likely that only events and not conversation will eventually resolve the issue. The British public apparently supports the government's position.

B. *The Question of Chinese Communist Representation in the UN:* The British have tried to obtain a seat for the Peking Government in the UN on the grounds that the Peking Government is the *de facto* ruler of Continental China and should be allowed to speak for the Chinese people. Again, the British feel they are right as a matter of principle and this probably also can only be settled by events.

C. *Additional Measures Committee:* There are two fundamental differences on this question (a) timing, (b) whether sanctions would aid or hinder the reaching of a peaceful settlement. An agreement should be possible on economic sanctions as our proposal does not go further than COCOM action already undertaken in secret by the British.

D. *Hong Kong:* The British have been cooperating well in restricting shipments of strategic items but are unwilling to make this fact known. If they could be persuaded to do so it would remove a very important source of criticism of them in this country.

E. *Formosa:* The present status of Formosa is not a point of current friction between the U.S. and the U.K. as Attlee agreed in November that now is not the time to turn Formosa over to the CPR. If and when a definite settlement comes up, there is a possibility of serious disagreement.

F. *Japanese Peace Treaty:* The British have shown sincere evidence of a desire to cooperate. The major issue between us is whether the Communists should or should not be brought into the peace settlement. There have been indications from London that the U.K. would welcome compromise suggestions from us on this.

G. *Korea:* The difference on economic sanctions has been mentioned. The British are adamantly opposed to political sanctions. They believe every effort should be concentrated on the finding of a negotiated settlement and it is probable that the British would be willing to pay a greater price for such a settlement than we have felt would be justified.

III. EUROPE

A. *Spain:* The U.K. Government rather bitterly resents our going forward with conversations in Madrid without fuller consultation with them.

B. *German Rearmament:* This has not yet become a point of difference but there are indications that the Government and segments of the Labor Party and the public have had second thoughts on the question. It may well become troublesome if and when a Ministerial meeting with the Soviets takes place.

C. *Command Appointments:* The Admiral Fechteler incident became a point of political issue in the U.K. It is very important therefore that U.K. sensibilities be taken fully into account in future command decisions and that the current proposal of the JCS be handled with the utmost caution and discretion.

IV. MIDDLE EAST

A. *Iran:* The nationalization of oil by the Iranian Majlis has created great difficulties for the British Government and the Anglo-Iranian Oil Company. The U.S. Government for some months strongly advised the U.K. to insist that the Company make a satisfactory arrangement with the Iranians, but this was not done with the result that the Iranian Parliament voted to nationalize oil. Ambassador Franks, supported by Foreign Office officials, informed the Department of the proposals that the Company intended to put forward to the Iranian Government. In our discussions, it was clear that our assessment of the seriousness of the situation differs. Although this plan was not considered satisfactory by State Department officials as we felt it did not go far enough to permit Iranian officials to implement it under the label of nationalization, it contained some good points. Hence, while we said we could not actively support this plan and asked them to consider doing more, we indicated we would assume a benevolent attitude. This disappointed Sir Oliver and it is obvious the British expect more support. We feel it is vitally important for the British to offer more in their own interest. Nevertheless, a point will be reached when she feels she has reached her limit. At that point, within limits, we feel the U.S. should be prepared to render strong support as this is a case involving direct U.K. interests. This has not been cleared by NEA and probably would not be approved by NEA in this form.

B. *India:* The fact that India has remained within the Commonwealth, despite the very loose ties that bind it, is a source of strength to the U.K. Consequently, Whitehall makes every effort to continue and to strengthen this relationship, and it implements this effort by placating Mr. Nehru, or supporting him when possible, on many of his attitudes which are considered by the U.S. as damaging to the position of the free world. This fact should be kept in mind in assessing U.K. Far Eastern policy.

V. NEGOTIATING WITH SOVIET UNION

We have had difficulties with the British in the Deputies meeting in Paris where the British line has been softer than ours.[3] This has been partially due to the personality of Mr. Davies but fundamentally to the strong feeling on the part of the British Government that public opinion would not countenance a break-up of the Paris meeting for which the West was responsible. U.K. public opinion strongly feels that every avenue of possible negotiation

[3] For documentation on the British attitude during the Four-Power Exploratory Talks at Paris, March–June, see vol. III, Part 1, pp. 1086 ff.

with the Soviets must be tried. This is due in part to a realization on the part of the public of the exposed position of the British Isles to atomic bombing. There is no concrete evidence, however, that the British would be "soft" in a Ministerial meeting itself although there are intimations that they might be more inclined than we to make some kind of a deal involving Germany's demilitarization.

No. 437

611.41/5-1151: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State [1]

SECRET LONDON, May 11, 1951—4 p.m.

5910. 1. Purpose of this msg is to reappraise Brit attitudes towards US in light developments since Embtel 4928, March 14. [2]

2. Up until roughly three weeks ago there had been improvement in situation described reftel and it appeared that customary upswing from a period of low such as that of Jan was taking place. Principle reasons for this amelioration were:

(a) Focus on Domestic Scene.

Attention of Brit people was becoming increasingly concentrated on internal question. Pre-Easter Tory offensive and expectation of politically controversial budget seemed to bring prospect of early gen election closer with consequent heightening interest in natl politics. Increasing cost of living, meat and coal shortages and rainiest winter in 80 years also tended to push foreign affairs into background.

(b) Replacement of MacArthur.

President's action was welcomed by great majority Brit people as foreshadowing material lessening possibility spread Korean war. In addition Brit derived much quiet satisfaction from their unjustified belief that they had played a part in securing his removal with concomitant boosts to their self-esteem.

(c) Paris Exploratory Talks.

Fact that Deputies were mtg in itself removed earlier doubts here re US willingness to take part in any talks with Soviet. Moreover, continuance talks despite lack real progress kept alive hopes for FonMins conference and *ipso facto* some possibility East-West settlement or at least diminution of tension.

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[1] Transmitted in two sections. Repeated to Paris, Frankfurt, Brussels, Rome, Stockholm, Moscow, and The Hague.

[2] Document 429.

(d) "American Admiral".

With incident largely closed, irritation at US over issue had largely blown over and such rancor as remained was directed at UK Govt for having failed to protect Britain's interests rather than against US.

(e) Far East Policy.

Although differences between UK and US on Far East issues such as Formosa, admission CPG to UN, question Chi representation Japanese peace treaty, extension embargo against Chi, etc. still remained and—in our view continue to be most serious points of conflict between US and UK—no new developments occurred in period mid-March mid-April further to exacerbate situation. Moreover, there were indications of growing doubts among number Conservatives and even some Labor MPs re efficacy and wisdom UK's China policy particularly in view continued CPG intransigeance and serious strain imposed on "Anglo-US alliance" with consequent cracks in what had hitherto been all-party support of UK Govt's Far East policy.

(f) German Rearmament and Spain.

Fact that both issues largely dormant, particularly latter, diminished discussion these facets US policy among Labor although their critical views re US position remain.

3. Favorable trend of opinion described above was first checked and subsequently set back by developments stemming from Cabinet crisis over budget.

4. Implications of rearmament program for UK economy had only partially penetrated Brit consciousness at time budget was introduced. Indeed many people here fondly hoped that a formula wld be found to permit them both guns and some butter. Budget disposed of this idea, for its proposals were sufficiently detailed to make clear that increased sacrifices wld be required of all including reduction in standard of living.

5. Brit people were and continue to be aware that Sov basically responsible for new period of austerity confronting them. However past statements by govt spokesmen re supply situation led them to place part of blame on US because of their belief that we were hoarding lion's share of raw materials and seeking to superimpose US defense program on already expanded civilian production without appreciable curtailment latter. In other words, US actions wld require Brit to carry far heavier burden than that to be borne by US people.

6. Bevan-Wilson dramatization of allegedly disastrous effects of projected defense program on UK economy not only brought into open some latent labor fears re incompatibility of large-scale rearmament with welfare state concept but also capitalized on smouldering resentment toward US occasioned by growing pinch of

shortages.[3] Bevan-Wilson complaints that in introducing budget govt realized it was attempting defense program impossible of attainment because of shortages reacted still further against US in view of widespread belief that US had put strong pressure on UK to adopt program of this magnitude in first place. Finally Bevan's accusation that UK Govt "tied to wheels of US diplomacy" served to kindle anti-Americanism endemic in some segments of Labor party which stems from long standing ideological distortion of capitalism and is nurtured by ignorance or nature present day US politico-econ system.

7. Death of Bevin,[4] retirement of Cripps and temporary illness Attlee deprived govt of its most influential spokesmen to refute Bevan-Wilson exaggerations and place matters in proper perspective. Meanwhile Tories seized upon raw material issue to belabor govt for lack of foresight in stockpiling thus heightening controversy and giving it partisan polit flavor.

8. Govt is worried by extent to which critical attitude toward US prevails among rank and file Labor party in England and Wales—it appears to be largely absent in Scotland—but its efforts to counter trend have thus far not had effective results. Also govt leaders have been preoccupied with domestic polit scene. Govt also worried re possible adverse repercussions here of anti-Brit tone MacArthur's testimony but is wisely observing discreet silence in matter and counting on admin witnesses to give more balance to picture.

9. Tory leaders also concerned implication present situation from standpoint overall Anglo-Amer relations and as indicated Eden's recent speech (Embtel 5828 May 8[5]), some of them favor early top level meeting between reps two govts to settle outstanding differences.

10. While situation described above is naturally disturbing, we do not regard it as alarming. Brit people realize that for better or worse their destiny is inextricably intertwined with that of US even though some of them may be reluctant to admit it. At same time however we are not sanguine that any rapid improvement will occur in next several months in view probability continuing differences over FE, likelihood raw materials becoming tighter before supply position eases, possibility differences over NE policy

[3] On April 23, Aneurin Bevan, Minister of Labor, and Harold Wilson, President of the Board of Trade, resigned from the Labor Government because of this situation.

[4] Ernest Bevin died on April 14.

[5] Not printed.

growing more acute, and in light emotional atmosphere of pre-election period prevailing here.

GIFFORD

No. 438

741.13/6-1551: Telegram

The Secretary of State to the Embassy in the United Kingdom [1]

SECRET
PRIORITY NIACT

WASHINGTON, June 15, 1951—10 p.m.

5929. For Holmes. Department info media would prefer to be in agreement with British on attitude to take in case it develops Maclean and Burgess have defected. [2] Following suggested as safe interim treatment until full facts known:

Mystery surrounds the disappearance of the two individuals. Did they defect? Were they kidnapped? Were they or were they not fellow travelers or Communists? Did they sacrifice themselves to try to awaken the Politburo to the true peaceful goals of the free nations? Are they mentally and morally only weak characters or depraved? These questions are relatively unimportant. What we do know with assurance, based on irrefutable and familiar pattern of Communist conduct, is that these poor wretches, if they are behind the Curtain, will be used hereafter as controlled human voices for exploiting the interminable Big Lie.

British here have suggested Maclean may be motivated by desire to disabuse Soviets of American warlike intentions. Urgent need to get this across to Soviet leadership is said to have been a personal obsession. At first sight it seems to strain credulity too much even if true unless substantiated by statements or actions. Another suggested explanation is kidnapping but would need convincing evidence.

On Tuesday, June 12, we asked liaison with British Embassy to contact Christopher Warner in effort to get agreed line. Lack of reply prompts request your intervention to secure soonest neces-

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[1] Drafted by Jesse MacKnight, Special Assistant to the Secretary of State for Public Affairs, and cleared by the Bureau of European Affairs, the Office of British Commonwealth and Northern European Affairs, and the Assistant Secretary of State for Public Affairs.

[2] On June 7, the Foreign Office had issued a press release stating that Donald D. Maclean, Head of the American Department, and Guy Francis de Moncy Burgess, former Second Secretary of the British Embassy in Washington, had disappeared on May 25 and had been suspended from the diplomatic service as of June 1. Burgess and Maclean subsequently appeared in Moscow.

sary info on agreed treatment in view possible break affecting French elections. [3]

ACHESON

[3] The French national elections were held on June 17 without any "break" occurring, but no agreed treatment was decided on since Warner was unable to obtain agreement on a statement within the Foreign Office. (Telegram 6698 from London, 741.13/6-2051)

No. 439

London Embassy files, lot 59F59,500 General

Memorandum of Conversation, by the Director of the Office of International Materials Policy (Brown)

CONFIDENTIAL [WASHINGTON,] July 13, 1951.

Subject: Raw Materials Prices

Participants: Sir Oliver Franks, British Ambassador
The Viscount Knollys, Minister, British Embassy
Sir Sydney Caine, Minister, British Embassy
Mr. Hooper, Counselor, British Embassy
Mr. Hall, Treasury Department, United Kingdom
Mr. Muir, Raw Materials Ministry, United Kingdom

The Ambassador opened the discussion by expressing the pleasure of his government at the opportunity for these talks. [1] He then went on to explain the very great concern which his government felt as a result of the effects of the current high prices of raw materials. These high prices were not only having inflationary effects domestically in the United Kingdom, but they were in a very real sense interfering with the capacity and the will of the British people to cary out their share of the rearmament program.

The British Government felt that some action to counteract these high prices was essential and that the present lull in their upward movement was a propitious time. The British Government foresaw a probable further substantial increase in raw materials prices in the fall, when the United States and United Kingdom rearmament programs begin to bite.

[1] On June 28 the British had delivered to the Department of State an *aide-mémoire* suggesting that informal talks should take place between the United States and the United Kingdom concerning raw materials. The United States agreed to the suggestion on June 29 with the talks scheduled to begin in Washington during the second week in July. Copies of the British *aide-mémoire* and the U.S. reply are in file 397.6/6-2851.

The British Government felt that stability of prices was important and that it should be at a somewhat lower level than the prices presently existing. Some methods should be found of limiting the range of movement of prices. The British Government felt that most producers probably disliked violent fluctuations in price as much as the consumers did. At the same time, care should be taken in any arrangements worked out not to fix the level of prices in such a manner as to limit increased production.

The British Government felt that its concern was shared by other governments in Western Europe, particularly France.

The British recognized that the talks that were about to begin were entirely informal and that there was no question of trying to agree upon positions to be jointly sponsored in the International Materials Conference or elsewhere. The discussions were an exploration and exchange of views.

The British Government felt that the place where action for stabilization of prices should take place was the IMC. It felt encouraged at the progress which had been made there and was quite agreed that price action would have to be on a multilateral basis through the IMC committees.

The Ambassador stated that this problem was the subject of very general public concern in the United Kingdom and that the Chancellor of the Exchequer was very anxious to say something in Parliamentary debate before the end of the month which would reassure the people that the government was not only concerned about the problem, but doing something about it internationally. The Ambassador felt that the question of how this should be handled was a delicate one and said he would wish to discuss it with us at the end of the talks.

Mr. Thorp said that we too were glad to have the talks and that we felt the greatest informality should be observed.

It was agreed that if any questions were asked by representatives of other governments or of the press, the answer should be that Mr. Muir and Mr. Hall were here to discuss a variety of materials problems in the ordinary course of relations between the two governments. Mr. Hall had been here four times in the last seven months and Mr. Muir twice. If specifically asked whether we were discussing the question of prices, the answer should be "of course".

It was also reported that the French had been informally notified of the talks, and it was agreed that if they asked any questions about what was being said they should be fully informed, but that the whole matter should be treated very casually with them.

No. 440

London Embassy files, lot 59F59, 500 General

Memorandum by the Director of the Office of International Materials Policy (Brown)

CONFIDENTIAL [WASHINGTON,] July 17, 1951.

SUMMARY OF POINTS RAISED BY MR. HALL AND MR. MUIR WITH RESPECT TO RAW MATERIALS PRICES, AND DISPOSITION THEREOF

The United States understanding of the points raised by Mr. Hall and Mr. Muir, and the conclusions reached during the discussions with them, [1] is as follows.

1. The British Government was much concerned at the inflationary effect of high raw materials prices, felt that concrete action should be taken as soon as practicable and to the extent practicable to get them down, and that the current lull in the upward movement of commodity prices was a good time to act.

The United States shared this concern and was willing to consider and participate in any practicable steps designed to keep these prices down.

2. The British Government had no proposals to make with respect to long-term measures for price stabilization, nor did they suggest any over-all or global approach to the problem. They felt that the problem would have to be tackled in terms of specific measures designed to deal with the situation in specific commodities. All that they could say about the longer term was that they were still strong supporters of Chapter VI and that they felt that long-term contractual arrangements provided a promising method of achieving stability.

The United States agreed that the approach would have to be a selective, commodity-by-commodity approach and that it was still in agreement with Chapter VI.

3. *Wool*

The United Kingdom felt that the United States suggestion for an allocation of wool would not work for the following reasons:

(a) There were over 3,000 different grades of wool. To allocate these effectively would be an impossible administrative task. The only real way of getting the quantities of the particular grades needed by particular people at particular times was to let the private trader do it.

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[1] Memoranda of the conversations between the British and U.S. representatives during the morning and afternoon of July 16 are in London Embassy files, lot 59F59, 500 General.

(b) The producers attached tremendous importance to the maintenance of the auction system. The British Government did not feel prepared, or indeed that it was desirable, to ask them to modify this system materially.

(c) In the case of Australia, the federal government did not constitutionally have the power materially to interfere with the auction system in times of peace, and it was a political impossibility for the state governments to cooperate in any modification of the system, if for no other reason than they were of differing political parties.

The British Government was, however, concerned at the high price of wool. It did not feel that there was as much of a shortage as the Americans did, but it agreed that there was probably a modest shortage, which would persist over the longer term. They therefore believed that measures to moderate the price of wool were desirable and proposed to suggest to the IMC that this be accomplished by having the consumers agree to impose price ceilings and not to import wool or permit the importation of wool at prices above those ceilings. They did not expect the producing governments to take any part in the policing of this system. They felt that there would be a high enough proportion of world demand represented by the IMC consuming countries to enable this scheme to result in real moderation of prices. As to the levels of prices, they felt they should be approximatley the May levels. They did not feel that this would result in having all the bidders at the auction bid the ceiling, with the consequent need for drawings to determine which should get the wool, because the degree of the shortage and the consequent pressures against price were, in their view, not very great. They agreed that if the shortage was more substantial than they thought, it would be difficult for their proposal to work.

The United States representatives expressed doubts as to whether a system could work without allocation. They were concerned that under the British proposal many bidders would inevitably bid the ceiling and, therefore, interference with the auction system would be inevitable and there would be substantial black-market operations. They agreed to consider the proposal and to give the British a comment, probably through their representatives on the IMC committee.

The British stated that they felt a large part of the unusual price increase had resulted from speculative buying and, more particularly, from United States military buying. They felt essential to the success of any scheme that special buying for stockpile and military purposes should be evenly phased and internationally coordinated. To this end, they were prepared to support the French pro-

posal for a small committee to consider and coordinate government special buying.

The United States representatives stated that this proposal would create great difficulties for them, that it always gave buyer A a great advantage to know what buyer B was going to buy and when, that United States military requirements were not competitive with British or French military requirements, being for grades of 60 or above, but were, in fact, competitive with British commercial requirements for quality goods. They felt that any such committee would inevitably result in leaks or in charges of not properly representing the national security interests. On the other hand, it was to the United States' interest, as well as to everybody else's, that buying for special purposes be phased as much as possible. The problem was perhaps as much psychological as practical, and perhaps if it could be announced that there was agreement on the principle that special buying be phased and that the United States and other special government purchasers were working out their own policies for achieving this result, the speculators and those who were worrying about the impact of unexpected government purchasing on the market would be reassured.

The British stated that this would not give them what they wanted, but that something along that line might possibly prove satisfactory. It was the consensus on both sides that the United States and the British were not too far apart on this point.

4. *Cotton*

The British stated that they were encouraged by the prospect for a substantial United States cotton crop in the coming crop year and would be interested in a statement of United States plans with respect to that crop and subsequent crops. They also stated that if the United States should feel disposed to reopen the question of a cotton agreement along the lines discussed with them before the war, they would be disposed to discuss it sympathetically.

The United States representatives stated that they expected a crop of better than 16 million bales, that it was their policy to export everything that was needed above United States requirements and not to add to the carry-over at the end of the coming crop year. They said they did not anticipate difficulties such as led to the discussion of a cotton agreement before the war and had no particular desire to initiate such discussions. They expected in the future that they would so operate their price-support and acreage-control programs as to try to keep adequate supplies available and avoid the necessity of government buying at the support price.

It was agreed that there was probably no need for an IMC allocation of cotton in the next crop year.

5. *Cotton Linters*

It was agreed that there might be a problem with respect to cotton linters, but that the problem was manageable and could be handled in the IMC cotton committee.

6. *Rubber*

The British said they had no specific proposals to make with respect to rubber, nor were they particularly concerned about the prospects of the long-term market for rubber. They were, however, concerned about what would happen after the United States stockpile was full and United States synthetic rubber production going full tilt. They anticipated that there might then be a time when natural rubber prices would fall below economic levels and certainly in which they would fall to levels that would discourage the planting of new trees. They hoped the United States was conscious of this problem and would be thinking about it, and they might raise it again with us in more specific form.

The United States representatives stated that they recognized that there was a possibility of a real and difficult problem in this respect and were considering what the United States attitude should be.

7. *Tin*

The British stated that if we desired to discuss the price of tin or international allocation of tin, they would be glad to discuss the subjects. They wanted us to know that they had considerably changed their views from those expressed during the March meeting in Washington, [2] both as to price and as to the producer safeguarding elements that would need to be incorporated in an international allocation agreement.

The United States representatives said that they were reasonably content with the way in which the tin price situation was going, were in a rather comfortable position with respect to tin, and were in no particular hurry to go back into the market or to discuss international allocations.

8. *Copper and Zinc*

The British stated that they were very concerned about the situation in these two commodities. They were assured of a substantial portion of their requirements from Commonwealth sources such as Southern Rhodesia and Canada. They felt that they could get these supplies at the United States price. They were, however, forced to go out into the market and pick up odd lots of copper to make up the deficiency between the Commonwealth supplies and the amounts they were likely to have allocated to them by the IMC, which, in turn, would be substantially below their requirements. They were, therefore, forced to pay higher prices, in some cases ex-

[2] No record of this meeting has been found in Department of State files.

orbitant prices, for these marginal amounts. They were concerned that the effect of their paying these higher prices for the marginal amounts would cause their suppliers of the principal amounts to insist on higher prices for them. They felt that an IMC allocation would exercise a distinctly stabilizing effect on prices, but that this would not be enough and that the IMC committee should specifically consider prices, as had the IMC tungsten and molybdenum committee.

The British felt, however, that it was most important to get a fourth-quarter allocation for copper and that the introduction of the price factor into the discussions would, as a practical matter, make agreement on a fourth-quarter allocation impossible, not because of major policy differences, but simply because of the need for delegates to get new instructions and consider a new problem. Therefore, they felt that introduction of the price question should be deferred until consideration of the allocation for the first quarter of 1952.

The United States representatives agreed with the United Kingdom concern about the price of copper and that it should be considered in the IMC. They shared the United Kingdom's feeling that the most important thing was to get a fourth-quarter allocation and that the injection of the price factor into the IMC discussions would make that impossible for practical reasons.

The United States representatives stressed their conviction that some form of *quid pro quo* for the producers would have to be brought into the IMC before agreement could be reached on price ceilings. A number of possible inducements were discussed, and the United Kingdom representatives stated that they would have to give the matter a great deal more thorough thought and might wish to talk with us again informally after they had done so. It was agreed that the considerations expressed on both sides with respect to copper applied equally to zinc.

9. *Sulphur*

The British expressed surprise that sulphur had been mentioned in their *aide-mémoire* and said they had no questions to raise about it. [3]

10. *Tungsten*

The British stated that the proposal they had in mind for dealing with tungsten had already been adopted by the IMC tungsten committee and they had no further points to raise.

11. The United States repesentatives asked if there were any other commodities that were giving the British particular trouble and which they wished to discuss. The British representatives re-

[3] Not printed, but see footnote 1, *supra*.

plied that they had not thought of any which were creating problems comparable to those discussed or which were susceptible of any very effective multilateral treatment.

12. *Sanctions*

One of the United States representatives raised the question of whether there should not be consideration of what sanctions might be employed to enforce decisions of the IMC as to quantity or price and as to whether and to what extent sanctions should be used.

It was the consensus on both sides that this question could not be usefully discussed in general terms and would have to be considered in the light of circumstances existing in particular cases. [4]

[4] On July 17, the representatives discussed wool further and on July 18, copper, lead, and zinc. At the final meeting on July 19, both sides stated that they had nothing further to discuss and agreed that the talks had been very useful. Memoranda of these three meetings are in file 397.6/7-1351.

No. 441

741.5-MAP/8-1751: Telegram

The Chargé in the United Kingdom (Holmes) to the Secretary of State [1]

TOP SECRET LONDON, August 17, 1951—10 a.m.

915. Toisa. This is General Johnson, Batt, Holmes message. There is every indication that during visit of Morrison, Gaitskell and possibly Shinwell in Washington in September question of British economic situation and relation of impact of rearmament plans will be raised. Such discussions will probably refer to British *aide-mémoire* [2] and Tedder-Lovett conversation of March 22 (Deptel 4757, Apr 18, 1951 [3]) when British gave estimates of large-scale (between pounds 1.4 and pounds 1.8 billion) military deficiencies assuming completion of current production plans.

We feel that discussions shld present opportunity to explain to British our aid policy toward the UK in terms of over-all approach including our strategic objectives in this area.

Items of concern re current status and recent developments:

[1] Repeated to Paris for OSR and MacArthur.

[2] Dated March 22, this *aide-mémoire* was transmitted from Tedder to Webb, supplying particulars about the British defense program and its financing. A copy of the *aide-mémoire* was sent to London in airgram A-1751, March 29. (741.5/3-2951)

[3] Telegram 4757 advised the Embassy in London that any restudy of the British material program should be undertaken in London rather than in Washington. (741.5/4-1851)

(A) Economic and financial situation has recently shown signs of deterioration. British have for some time anticipated shift away from favorable economic position which developed after devaluation. This shift is now taking place and recent indications are that external position is moving in unfavorable direction more rapidly than they anticipated (Embtel will follow). While general internal financial position remains basically sound, such fundamental industries as coal, steel and electric power are getting into far more serious difficulties than anticipated. If, in fact, price increases, raw material shortages and other possibly adverse developments shld hamper fulfillment of rearmament program, there wld be further attacks on the program from Bevan and his left-wing Labor Party followers (see Emb desp 417, July 23, 1951 [4]).

(B) Of $5.3 billion military aid to Europe requested of Congress for fiscal year 1952, UK wld obtain $378 million (or about 7 percent of total) and no economic aid.

(C) US interests in UK defense position include much more than strict DC-28 [5] commitments in view of (1) USAF bases in UK, and (2) need for British strength in Near and Far East, (3) non-NATO committed major units of RN probably wld be committed in any emergency to NATO mission.

(D) While there may be questions with respect to some countries, there is no question about effectiveness of aid to UK in terms of (1) whether it will be assimilated by forces capable of using it, and (2) whether those forces will fight effectively in event of war.

(E) Some concern has been expressed in UK re the distribution of the aid. Comments have been heard that "it pays to be militarily weak" (see Emb desp 657 of Aug 2, July MDAP report [6]).

We believe you shld anticipate British raising such issues as the above. In your own appraisal of British position, we assume that you will consider not only British needs—real though they may be—but will relate such needs to US current strategic objectives involving UK. As illustrations of type of questions which we feel you shld be prepared to raise and/or discuss and on which we need more policy guidance are the following:

(A) Do we propose to ask British to increase DC-28 commitments? If there are such increase commitments, would this increase prospects of larger amount of aid to Britain?

(B) Wld inclusion of Turkey in NATO mean broader consideration to UK needs in that forces deployed in Near East would be considered as technically eligible for end item aid—i.e., would DC-28 be revised to include British commitments in Near East?

(C) We assume that if RAF increased its NATO commitment by taking certain fighter planes out of "war reserve" and moving them to continent that basis for determining its needs under DC-28 would be enlarged. We would like to know, however, if RAF placed

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[4] Not printed.

[5] A copy of this NATO Defense Committee document has not been found in Department of State files.

[6] Not printed.

a large proportion of their "war reserve" of fighter aircraft in active units for deployment in the UK (where they would supplement the defense of the USAF bases), would the UK be likely to receive additional military aid?

We recognize there are many other questions of related character which could be asked and on which clarification might be desirable prior to British talks. We should appreciate having any views from Washington on the above or other questions in the event that we may be able to comment prior to start of these talks. We recognize, of course, the rather nebulous nature of our inquiry which reflects the inadequacy of our information on the relationship between current aid plans and US objectives in UK.

The above relates primarily to FY 1953 and 1954 plans. Re FY 1952, there appears to be a probability of substantial cuts in foreign aid bill. We should like to raise the question as to whether this will result in a proportionate cut for all prospective recipients. We assume that priorities exist within the military aid program and we trust that the considerations outlined herein would be given appropriate weight before any substantial cut was made in present UK program.

We believe that the criteria in determining amounts of end item aid must be applied country by country with considerable flexibility. In addition to criteria as set forth in Todep 75, Aug 6, 6 p.m., [7] we feel that somewhat more emphasis might be placed in assessment of situation on basis high priority that we must attach to the protection of USAF bases here. As you are aware, the RAF and the USAF have fully integrated the air defenses of the UK including the US bomber bases. We are not however satisfied that the protection for these bases is sufficient today nor that the plans for the next year are adequate. We feel additional funds should be made available to cover cost essential items needed to supplement the defense of these bases. (See Embtel 6287 [8] in which note was taken of the heavy requirement for essential items—electronics and communication equipment—for which so far as is known, no adequate British production plans have been formulated).

Accordingly, we recommend a re-appraisal of criteria on which aid to UK is based and urge that re-appraisal reflect the relation

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[7] Telegram Todep 75 reported that end-item aid programs were formulated and executed taking into account the "relative urgency in each country, varying ratios in each case of ground, air and naval forces, national economic situation, over-all strategic plan, available local, productive capacity, available raw materials, production rate different classes of equipment in US." (765.5-MAP/8-651)

[8] Not printed.

between the global US strategic objectives involving UK and the amount of aid which would seem to be advisable.

HOLMES

No. 442

841.00/8–2751: Telegram

The Chargé in the United Kingdom (Holmes) to the Secretary of State

SECRET PRIORITY LONDON, August 27, 1951—11 a.m.

1047. Pass Treasury and ECA/W.

1. Fully comprehensive survey Brit economy impossible now because some basic data not yet available. Forecasting hazardous under these circumstances and even key Brit officials appear uncertain about outlook beyond near future. We shall on basis available info cover points mentioned Deptel 967, Aug 15 [1] and give our best estimate future trends (further info being air pouched).

2. Both internal and external financial situation at present constitutes serious problem warranting careful watch our part. Brit Govt had forecast serious deterioration over last year on both fronts, but developments in this direction have been of even greater magnitude than original Brit expectations.

3. *Internal inflationary situation.*

(a) While inflationary developments are greater, and considered by Brit more serious, than originally anticipated situation cannot be characterized as showing signs of getting out of control. There are indications which at present seem to improve future prospects somewhat suggesting abatement of increasing inflationary pressures.

(b) A fundamental element in present Brit financial policy is to allow increase in prices (arising from costs inflation) to restrict effective purchasing power over real resources, and so facilitate allocation of resources from expansion of real consumption toward defense, export and investment programs. Economic survey estimated 7.6 percent increase in prices of consumption goods and services. Our projection for 1951 gives about 9 percent increase over 1950. While increase in cost of living politically damaging to govt most of increase was foreseen in economic survey. Govt spokesmen have forecast considerably smaller rate of increase in retail prices in remaining months of year than experienced thus far in 1951 (in-

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[1] Telegram 967 asked for the Embassy's views on the British economic situation including the balance-of-payments situation, sterling balances, the possibility of a serious external financial crisis, inflation and the extent to which the forthcoming British elections were affecting the government's policy with respect to taxation, the level of consumption, and other economic programs. (841.00/8–1051)

crease to July was 9.5 percent). They also forecast levelling off of cost of living increase out [*at*?] end of year, on basis downturn earlier in year of prices some imports. Hopeful sign supporting govt forecast is small drop July wholesale price index, first decline in two years. Intensification of effect of policy mentioned above, resulting from gap between cost of living and wage increases, will be ended when loss of real wages is regained, presumably in relatively short time.

(c) Wage increases have not kept pace with increase in retail prices in 1951. Wage rate index through July rose 5.3 percent. Proportional increase in wage earnings was greater, but considerably behind rate of increase in retail prices. Evidence points to probable further round of wage increases. Unions now demanding further increases, and govt position does not seem to be against another round but calls for reasonable wage claims. Thus it seems likely that further wage increases, with consequences of widespread increase in costs, will come after abatement of rise in cost of living to catch up with loss in real wages. We do not believe another round of wage increases necessarily implies upward spiral. Severe rank and file pressures now on trade union leaders but success in gaining another round may strengthen moderate elements who followed wage restraint policy in past. Moreover, TUC lays great stress on real wages and recognizes inequities and complications inherent in wage price spiral. Govt has fully accepted, if not condoned, further round of wage increases. There are signs that govt moving into low gear to obtain another period of stability after this round of wage increases and is making efforts to moderate this round. This may have been purpose of Gaitskell's reference, in statement re dividend limitation, to additional price controls and consideration extension subsidies if they could have substantial effect at little cost.

(d) Personal consumption in first quarter 1951 five percent greater than in same period 1950. This increase mainly attributable to anticipation of higher prices and reduced supplies and speculation about budget tax changes. Rate of increase in first quarter mainly due to temporary factors not now operative. Thus we expect rate of increase in consumption for whole of 1951 to be considerably below first quarter rate. Evidence available but incomplete shows reduction in rate of increase in real consumption in second quarter compared with first. Very tentative projection for remainder 1951 gives some increase in real consumption in whole 1951 over 1950, primarily attributable to upsurge in first quarter.

(e) During first half 1951 industrial production 5 percent above same period last year. Economic survey forecast 4 percent gain for year. Allowing for increasing interference with expansion of production for remainder of year (shortages of materials, manpower), it seems that Brit 4 percent estimate for 1951 increase may be achieved. Thus we estimate that no additional real resources domestically produced will be available to economy over govt estimate for 1951. We estimate only small increase over Brit estimate for import volume; thus we foresee no appreciable increase in total available resources above economic survey estimate. Increased consumption (compared with estimated slight reduction in econ

survey) will mean smaller real resources available for exports, govt expenditure (including defense) and home investment. Probably major portion of prospective worsening of balance of payments as compared with econ survey forecast will be attributable to increased prices of imports and decreased invisible earnings. While increased deficit due to these wld be financially disinflationary, it wld provide no real resources available to meet higher than estimated level of consumption.

4. *External financial situation.* Fol are tentative conclusions of study now in preparation re overall balance of payments and sterling bal increase for calendar 1951 and sterling area gold and dol position fiscal 1952:

(a) Brit overall balance of payments deficit calendar 1951 appears in neighborhood of pounds 300 million. This figure includes purchases for strategic stockpile and latest Brit estimate of approximately pounds 400 million net invisible earnings taking account of payments in full on dol loans. Insufficient material now available to permit useful estimate fiscal 1952 deficit.

(b) Our forecast of 1951 deficit implies that Gaitskell's pounds 1600 million export target July-December will not be achieved. As percentages 1950 our estimates for calendar 1951 indices are: Export price 121, export volume 104, import price 135, import volume 110. Comparable Brit figures in econ survey were 119, 104.5, 120, 108.4. July 26 Gaitskell revised import price forecast to about 134. He has not specified how he expects to increase export value pounds 150 million above economic survey target. Our estimates imply improvement terms of trade to 93 percent of average 1950 in July-Dec compared 86 percent Jan-June.

(c) *Imports*—we are assuming modest decline raw material import prices and moderate rising other import prices during remainder 1951. July-Dec import price index 138 compared 132 Jan-June and 140 second quarter. (Assumption that import prices during last half 1951 will not be higher than mid-year level basic to our entire analysis.) Import volume Jan-June was 111.4 and we expect about 109 in second half. Econ survey forecast 108.4 for year with no increase in manufacture category. Largest percentage increase first half was in this category and leads us expect years total import volume to be higher than econ survey prediction. No really firm seasonal import volume weights appear to be available and in view of expected lower import prices and present low level Brit raw material stocks we believe volume in second half will be higher than available seasonal weights wld suggest.

(d) *Exports*—export price index 113.5 in Jan-June and we predict 128 average for July-Dec. Our forecast implies early leveling off textile prices and perhaps decline later due our expectation of tight market. Continued rise other export prices expected on basis higher level Brit costs. Export volume matter of great uncertainty. Gaitskell's pounds 1600 million target for value exports second half appears to imply much larger volume than now seems likely. Jan-June volume was 103, about 1½ percent short of economic survey target. At present we are assuming 105 percent in second half. This

based on assumption roughly no change engineering exports in second half and continued increases in textiles and other exports. If auto production continues at rate first half, exports might increase about 16 percent volume and go far to offset decreases other engineering exports.

(e) We foresee no sudden overall B/P crisis provided no serious interruption Brit production due say crisis in coal, steel or imported raw materials and provided fon demand Brit exports remains firm in face of higher prices. Clearly, however, Brit B/P very vulnerable to such unfavorable contingencies.

(f) *Sterling area gold and dollar position*—our analysis fiscal 1952 very broadly supports Brit estimates sent in Toeca 654, July 6, 8 p.m. and Toeca 694 July 19, 6 p.m. [2] However, we see possib.lity RSA may deteriorate more than Brit forecast in Toeca 694 July 19 due scissors effect lower raw material prices and high level RSA dol imports. If so, we foresee possibility Brit may wish sponsor sterling area dol restrictions to protect reserves in face large Brit dollar deficit. This might strain sterling area ties at a time when RSA not in heavy dol deficit on its own account as it was in 1949.

(g) *Sterling balances*—we believe only small increase likely in second half calendar 1951 over level sterling balances June 30, 1951. This forecast based in part on expectation some improvement in Brit non-dol current account B/P, sharp deterioration in RSA net dol balance, liberal use of EPU credit facilities by sterling area. (See Embdes 5175, Apr 17, 1951 [3] for framework of this analysis.) We think main sterling area strain might arise as indicated para 4 (f) above instead of due likely size of sterling bal holdings as such. Some major sterling creditor countries may prove willing to hold sterling bals since latter not depreciating in value relative creditors currencies as shown by comparison of progress of their inflations with Brit inflation.

(h) Re diversion exports to RSA from other markets—frequent official statements during past year have stressed importance exports to dol area and RSA but with more emphasis recently on dol area in view disappearance dol surplus sterling area. Latest trade figures show percentage Brit exports to western hemisphere 18.52 in June compared 17.77 average first half.

5. Lack of maneuverability in Brit economy is politically embarrasing to govt. Beset by uncertainties heightened by unpredictability of external influences to which Brit economy still highly susceptible, govt faces dilemma of taking positive action such as imposing stronger curbs on consumption (action hardly likely to enhance its popularity) or further restricting imports, or following policy of inaction, possibly risky and likely produce intensified opposition criticism. Increasingly insistent trade union demands for more wages and price controls indicate need for political fence building inside

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[2] Neither printed.

[3] Not printed.

labor party. Brit officials in Wash for talks [4] will be acutely aware of the economic problems which their govt faces, and of their political implications and of the heavy burden imposed on Brit econ resources by present commitments including rearmament. See Embtel 1040, Aug 25. [5]

HOLMES

[4] For documentation on the meetings of the Foreign Ministers of France, the United Kingdom, and the United States, at Washington, September 10–14, see vol. III, Part 1, pp. 1163 ff.

[5] For text, see *ibid.*, p. 1180.

No. 443

841.000/9-451: Telegram

The Ambassador in the United Kingdom (Gifford) to the Acting Secretary of State [1]

SECRET LONDON, September 4, 1951—7 p.m.

1208. Dept pass Treas and ECA. Holmes had long and separate conversations with Gaitskell and Plowden who depart by air tonight for Wash. Gaitskell is pessimistic and worried about the deteriorating situation with respect to terms of trade, balance of payments and gold and dollar position. He said that Trew's estimates were that there wld be a drain on gold and dol reserves during this year of something like $1 billion. He admitted that this was probably a prudent estimate but that minimum net loss to be expected was 800,000. He gave the fol reasons for these adverse trends:

(1) High prices of imported raw materials which were running from 60 to 70 per cent higher than estimated at the time the 4.7 billion pound rearmament program was inaugurated. He admitted that there had been some improvement in these prices lately and that they might settle down to an average increase of 60 per cent for the bal of the year. He admitted also that some of these shortages were a result of curtailed purchases following devaluation and permitting Brit stocks to run low.

(2) Increased demands of rest of sterling area for dollars.

(3) Increased purchase by rest of sterling area on continent resulting in piling up UK's deficit position with EPU.

(4) Loss of income from Persian oil, replacement cost being estimated $360 million.

Gaitskell and Plowden both said that the most immed and most critical shortage that they were faced with is that of steel. UK has

[1] Secretary Acheson was in San Francisco for the signing of the Japanese Peace Treaty.

made application through ECA for priorities to purchase 800,000 tons finished and semi-finished steel from US production. Plowden considers this to be the most important matter for discussion at Wash. He contends that this steel, in addition to UK production, is necessary not only for rearmament program but to keep engineering trades active and sustain export market with important marginal effect on terms of trade and overall balance of payments. The Brit say that their shortage of steel is brought about, first by their own low coal production; second, by inability to obtain ore from European sources, principally Sweden; and third, great reduction in scrap deliveries from Germany. One of the things that Gaitskell will request is a reduction in US purchases Swedish and North African iron ore.

Another item which worries Brit Treas in prospect is the ending of the collection of occupation costs from Germany. If these were assumed at once they wld represent an additional burden of 180 million pounds annually for which no provision has yet been made.

Gaitskell will contend in the light of the situation described above that it is utterly impossible for the UK to increase its rearmament program as suggested by our proposal to meeting production requirements of the MTDP. He will likely say that the UK will not be able to complete the present 4.7 billion program without assistance from the US. This he realizes represents a very difficult problem with important political handicaps, both in the US and UK. He will probably criticize our proposal tabled in Council of Deputies re increased armament production by saying that it postpones work on burden sharing exercises. It will be recalled that when the UK announced its present rearmament program Brit said they wld not ask for US assistance but made a reservation with regard to anything to which they might be entitled as a result of burden sharing. We believe Gaitskell will press for a completion of the burden sharing exercises in the hope that out of it may come through this multilateral consideration of the problem financial assistance to the UK which wld not have the polit disadvantages either in the US or UK of direct aid. We do not believe that he expects to obtain any commitment on this score but for the present trip will explain the UK position and anticipated deterioration in the hope that it will be better understood by us and as preparatory to a request for assistance at some later date. He will specifically press hard for a reduction in US iron ore purchases in Europe and for the allocation of steel.

Although Gaitskell will have the possibility of a fall election in the back of his mind and domestic political considerations will inevitably color his thinking, he will probably point out that a Cons Govt wld be faced with the same problem. This contention is sub-

stantially true although there wld be a difference in emphasis under a Tory Govt.

GIFFORD

No. 444

841.10/9-651

Memorandum of Conversation, by the Assistant Secretary of State for Economic Affairs (Thorp) [1]

SECRET [WASHINGTON,] September 6, 1951.

Subject: Report on Meeting in Mr. Wilson's Office at 12:00

Participants: Mr. Hugh Gaitskell, Chancellor of the Exchequer; Sir Edwin Plowden; Mr. Denis Rickett; Sir Sydney Caine; Mr. Armstrong (Mr. Gaitskell's private secretary); The Viscount Knollys; Sir Leslie Rowan
Charles E. Wilson, Director, Office of Defense Mobilization; William Y. Elliot, ODM; Eric Johnston, Administrator, Economic Stabilization Agency; Manly Fleischmann, Administrator, National Production Authority (entered at the middle of the meeting); Willard L. Thorp, State Department

Mr. Gaitskell tabled and summarized a memorandum concerning the British economic prospects. [2] (He is apparently giving a copy to each person upon whom he calls, indicating that it must be carefully kept secret.) In general, the memorandum paints a grim

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[1] According to the source text the meeting took place in the Office of the Director of Defense Mobilization at noon, and Fleischmann entered in the middle of the meeting.

[2] No copy of this memorandum has been found in Department of State files. According to the records of the Department of State, Gaitskell and his advisers arrived in Washington on September 5 for a prolonged stay to include talks with U.S. officials, meetings of the World Bank and International Monetary Fund, a trip to Ottawa from September 14–17 to participate in the Seventh Session of the North Atlantic Council, and return to Washington before departing for London on September 22. In preliminary discussions between the Department of State and representatives from the British Embassy the following agenda had been agreed:

1. General economic outlook and its implications for the United Kingdom.
2. International price policy on raw materials.
3. End-items for the United Kingdom.
4. Next step in burden-sharing.

In preparation for the talks the Department of State drafted a series of position papers designated FC-D covering the topics most likely to be discussed with the British. A set of the position papers is in CFM files, lot M-88, box 158. Documentation relating to the preparation for the talks is in files 841.00 and 741.13.

picture of the prospects, forecasting a dollar drain on the sterling area for fiscal 1951–1952 of $1,200,000,000 and with the reserves at the end of 1952 possibly being about $2 billion. He discussed the various elements which brought this about and, since there is no assurance that they are temporary, his great concern for the future. While he realized that the suspension of Marshall Aid was necessary during the period of rising reserves, he suggested that it was unfortunate that it was not recognized that the period of 1950 was temporarily benefitted by low imports and high export prices and that in fact the dollar gap problem had not been solved. The U.K. is already taking steps to improve the situation. They are definitely planning to curtail dollar imports and possibly to cut rations. They have already cut the ration on cheese and may cut it on sugar. They are imposing additional restrictions on the use of paper and pulp. They also propose to take further steps to force exports particularly by limiting the output that may be sold in the domestic market. Near the end of the year there is to be a Commonwealth meeting and he expects that it will be necessary for the members of the Commonwealth also to consider making adjustments in their imports. In general, their great concern is that of building military strength and maintaining solvency at the same time. The new situation has all come about so rapidly that they do not feel that they have thought the problem through, but that they did wish to have us understand the situation.

It is obvious that one of the most important requirements is that they produce at a maximum and this leads to the problem of steel. Possibly a few months ago he might have been talking of other raw materials, but he feels that we have made a real success of the materials business and that this is no longer a critical matter although there are points which he wishes to raise later. As to steel, they are resuming the full war controls. Their problem, in the first place, is in their own production where they are concerned about scrap and ore. They have maintained their 16 million tons of production this year by drawing down raw material stocks and at the moment it is hard to see how they can even maintain the present level of production. They must therefore press strongly for help in whatever form it can be given, in scrap, in ore, or in steel itself. He mentioned the figure of 800,000 tons for next year. This is the key to much of their export trade and their military production.

Mr. Wilson asked as to the kind of steel required, and Mr. Plowden said that steel in any form would be helpful since they could keep the situation in balance through adjustments at their end. Mr. Wilson explained how difficult the situation was here, but said that we would look at it; possibly by the last half of 1952 the situation might be somewhat eased and we could do something. Mr.

Elliot asked about the prospects of British exporting structural steel, and Mr. Gaitskell said that was about the worst prospect.

Mr. Wilson then asked about the price differential between exports and imports. Mr. Gaitskell indicated that he thought there was a real element of permanence in this. Eric Johnston said that he thought the old relationships would return. Mr. Wilson said that he was rather optimistic with regard to prices. Gaitskell said that they were trying to reduce the pressure on the engineering industry by building up the export of consumer goods, notably textiles. He noted in passing that they had now completely lost the Canadian automobile market. He personally felt that there would be a strong export demand for consumer goods and that this would help correct the situation. Mr. Shawcross was by no means as optimistic.

Mr. Gaitskell then turned to the question of raw materials, saying that here stability of prices were what was needed, and Mr. Wilson said that he couldn't agree more. Mr. Gaitskell pointed out his conflicting interest that the sterling area should earn dollars, but that the U.K. should not pay high prices. He said that they were very much concerned for fear that wool prices might go up again and asked what we contemplated in view of the result of the IMC Committee consideration. His great fear was erratic military buying. Mr. Fleischmann said he felt quite certain that there will not be a military scramble. Eric Johnston said he thought the situation would not skyrocket, although there were some shortages. If there was any evidence that prices were starting to soar, and he would regard $2.50 as a high price, he would recommend rapid expansion in the field of synthetics. He reported that Boston wool men did not think the price would go over $2.00. Lord Knollys said that we need an understanding that the military buying would be a stabilizing rather than a disturbing factor. Mr. Wilson explained that there were pressures on the military for them to buy to support various situations. Mr. Fleischmann said that this was true but more in cotton than in wool, but he agreed to look into the situation. Mr. Wilson asked if $1.70 to $1.80 would be a fair price to Australia. Mr. Gaitskell said that he couldn't answer, and Mr. Rowan pointed out that you never can say that a single price is fair except when related to other prices. Mr. Wilson said that his impression was that $1.70 was a high price. The meeting then adjourned for lunch.

(During lunch Messrs. Gaitskell and Wilson discussed the coal problem, and Mr. Gaitskell outlined a number of things that were being done to improve the situation, including the bringing in of Italians. In that connection he said that one of the problems was that the British were more concerned about the political views of

prospective immigrants than the continental countries and that this was a delaying factor. He pointed out that it might be possible for the British output to be increased by some 5 million tons per year, but that the earlier estimates that British consumption would increase 2 or 3 million tons per year were proving to be too low. At the other end of the table Messrs. Elliot, Rowan and Plowden discussed possible sources of iron ore and steel. Mr. Elliot suggested such steps as that American coal might be used in Sweden to obtain the iron ore now going to Poland, or in Germany, to expand steel production to send steel to the U.K.)

When the group reassembled, there was a brief discussion of iron ore, and it was agreed that a study group should be organized to consider the iron and steel problem. Mr. Thorp undertook to set up the U.S. side to meet early next week with the British.

Mr. Elliot then brought up the question of non-ferrous metals and the fact that we needed British help in holding the price line. Lord Knollys said that they were looking to us for our attitude on copper allocation. Mr. Fleischmann said that he thought we would be able to do our part here. Lord Knollys said, as to lead and zinc, that they were awaiting the conclusion of the U.S.-Canadian discussions. At the end of the month they would have to renegotiate a number of their contracts, and that they did hope to press for a roll-back. Mr. Johnston asked if this included Mexico, and Lord Knollys said that the Mexican arrangement would have to be renegotiated. Mr. Johnston said that if Canada, the U.K. and the U.S. would hold the price line on lead and zinc, he felt sure that this would control the world prices. Mr. Elliot pointed out that there was a problem of Soviet buying, and that perhaps more thought should be given to long term contracts to tie up the supply, and asked if the British letter [3] indicated that they were not willing to try to hold the price line. Lord Knollys said that it merely meant that the British could not be absolutely committed to stay out of the market but had to be assured of minimum supply. Mr. Gaitskell said that there was no disagreement here, but that all they felt they needed was to know how great the calculated risk was; that they were of course greatly concerned with holding the price line.

Mr. Elliot then said that as to international allocation of nickel and cobalt, he was by no means convinced that this was the best method in these instances, that the metals were more important than the price, and we might do better, for instance, without allocation than if we have to share on some basis which cannot fully recognize the significance of the jet problems. Mr. Fleischmann

[3] The letter has not been identified further.

said that the immediate problem was copper, but we haven't gotten as far along on nickel or cobalt.

Mr. Gaitskell then turned to tin, said that he didn't want to go into past history, that the Bolivian contract had caused a great deal of trouble, that some arrangement was needed, and suggested the importance of an American mission going to Malaya. Mr. Thorp outlined the situation as it had developed in recent days, and Lord Knollys said that he wished to suggest that our delegation to the Tin Study Group stop in London on its way back from Rome. Mr. Gaitskell said that he hoped we could move rapidly on this problem. Frankly, his particular interest in this problem was related to the dollar situation, and he suggested that if there is any way of speeding up the process of meeting together, we ought to do it. Mr. Wilson said we would certainly bear this in mind, and that he would get everyone concerned together. Mr. Gaitskell said that the tin situation is certainly an unnecessary one, and that we have all managed to make it exceedingly difficult for ourselves. It was understood that Lord Knollys would follow up on this matter.

Eric Johnston then returned to the non-ferrous metals price situation and said that we and the Canadians wanted the U.K. to sit in with us. Lord Knollys assured him that they would, and Mr. Gaitskell said that they wanted to. Mr. Johnston said that such a purchasing agreement would be a bold venture, one which he was sure state departments and foreign offices in general would not like, but it was the only positive approach he could see. Lord Knollys said that he thought this matter was well in hand.

Mr. Gaitskell said that he also had other problems on his mind, for example, East-West trade. However, the Foreign Secretary would probably take this up later. [4] He was only mentioning the fact that the problem existed.

In general he wished to say that the British position is grim, and they do not feel they know the answer. He wants us to be familiar with the problems, and hopes we can put our heads together looking towards their solution.

WILLARD L. THORP

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[4] For a record of the talk on East-West trade between Secretary Acheson and Foreign Secretary Morrison, see U.S.-U.K. MIN-2, September 11, vol. III, Part 1, p. 1238.

No. 445

711.41/9-651

Memorandum of Conversation, by the Assistant Secretary of State for Economic Affairs (Thorp)

SECRET [WASHINGTON,] September 6, 1951.

Subject: Report on Meeting at ECA at 2:30 p.m.

Participants: Mr. Hugh Gaitskell, Chancellor of the Exchequer, Sir Edwin Plowden; Mr. Denis Rickett; Sir Sydney Caine; Mr. Armstrong (Mr. Gaitskell's private secretary); Sir Leslie Rowan; Mr. A. Christelow; Mr. Stevenson; Mr. Rolle; and a military man.
Mr. Richard M. Bissell, ECA; C. Tyler Wood, ECA; Harlan Cleveland, ECA; Lincoln Gordon; Col. Robert Ward; George Willis, Lane Timmins, Messrs. Cabot and Thorp, State Dept.

Mr. Bissell started the discussion by saying that certainly one item which required discussion was that of the so-called burden-sharing exercise. On this subject, he feared that there was substantial disagreement. So far as the United States is concerned, our preoccupation has been with the problem of how to get a larger effort. Burden sharing was difficult unless there was agreement on the total burden to be shared, and the purpose of the exercise should be the leveling up of contributions. The British, on the other hand, had focused rather more on forming a judgment as to the relative equities arising out of current programs. He offered this as a statement of the problem. Cabot said that he had no comment at this point. Gordon said that he thought one other factor was the problem as to just what time period was contemplated, since in one instance one was thinking of the current distribution of assistance and in the other the situation to be reached by 1954.

Gaitskell said that he agreed that there was a wide gap in the two approaches. As background, he wished to outline the British situation and then presented his balance-of-payments analysis. He said that the defense program was not the chief cause of the British situation. In fact, he did not feel that their own actions were responsible, but that they were caught by world economic developments. In any event, the standard of living of the British people will be seriously affected and they are threatened with a long series of deficits. So far as NATO is concerned, the medium-term defense plan never was accepted outright, but only on a best efforts basis. The British Cabinet regarded a $6 billion expenditure as moonshine and had difficulty with 4.7 billion last December when

the situation was much less grim. Any increase is out of the question. In fact, the problem is whether the present program can be maintained. So far as the interim forces arrangements for the U.K are concerned, considering also their non-NATO commitments, the shortage of equipment is exceedingly serious, in the neighborhood of 2 billion pounds. Therefore, the medium-term defense program is completely impracticable for the U.K. Of course if there were war they would do much more, but in peace one must balance defense with the economic and political realities. In U.K. the political difficulties are not great. It is much more economic. They are accepting a lower standard of living, but there is a limit and they are greatly concerned about maintaining solvency. They do believe that the U.K. is now carrying all that can reasonably be expected.

There are some specific factors calling for comment—the supply of steel will affect the level of production and the East-West trade controls are making things difficult. Timber and coarse grains are fiendishly expensive, and it now looks as if the U.S.S.R. would have a surplus of sterling from the trade. They are worried with respect to Germany, and while they favor the military plan for the European army, they cannot undertake to carry their present occupation costs.

The burden-sharing exercise should be completed as quickly as possible. Historically, this was created as a way of settling the extent of assistance and the British Government has regularly said that this would determine the possibility of adjustments in programs or in military or economic aid. Any further delay would be unfortunate and very bad for the European morale. Finally, he feels that we are not making much progress on the end-item program. We must find some way whereby whatever military assistance there is to be can be more assured. Incidentally, in England there is considerable worry about Germany being rearmed at the expense of U.K. supply needs. He regretted the necessity of presenting such a gloomy picture, but most of the difficulties had come from outside. They do hope to come forward with more specific programs at a later time.

There then was some rather general discussion concerning the relationship of the armament effort and balance of payments, which brought out the fact that the two meet in the engineering industries and that there was not merely a dollar limitation but a very real physical limitation on meeting the demands of the two. Bissell pointed out that it would be difficult in the U.S. to get much sympathy for steps related to the same old dollar gap. Thinking here was now much more focused on supporting the defense effort.

Gordon asked about the post-1952 prospects. Gaitskell said that the U.K. may not be in deeper trouble in 1952 than in 1951 but that the depressing factors were by no means merely temporary. However, it was difficult to guess. So far as the military program is concerned, the U.K. would be happy to have a longer period.

Cabot asked what part of the 4.7 billion was maintenance and Eric Rolle stated that it was 20 percent of total military expenditures in the current year; and 18 percent in the next year. Rowan pointed out that it was much more difficult to find substitutes for dollar sources than it was in 1949. Willis asked what had happened to the physical volume of trade. The estimate was presented that so far as the increased British imports were concerned, 300 million was for stockpiling and machine tools and the remaining might be defined one-third in terms of increased volume of imports and two-thirds price changes. Probably for the rest of the sterling area a little more emphasis could be placed on volume. However, Mr. Gaitskell undertook to get a more accurate reply to the question. Gordon asked about internal prices in the U.K. Gaitskell said that if world prices could be stabilized they could certainly hold the line. Their increase in 1951 will be perhaps 11 to 12 percent, and the 1952 problem will depend on whether they can hold the line on wages.

Cleveland said it sounds as though Washington was worried about the medium-term defense plan but that it had been written off in London. Could it be said that the present national commitments represent a judgment of the economic limitations and of all that needs to be done? Gaitskell pointed out that he was Economic Minister and could only speak with respect to economic limitations. It was his feeling that the weakness of NATO was that the military and economic have never had a meeting of minds. In this discussion, he commented on the fact that OEEC was popular as an agency which gave things to Europe, and NATO unpopular since it took things away. Bissell stated that the U.S. had urged the acceptance of the military task but it was true that the military claimants had never been confronted with the economic and finance ministers. He would hope that the FEB would work more in the field of means in the long run. It is hard to see how one can consider matters unless one has considered the size of the task. Gaitskell did not like the word "task" because there are many choices. He preferred to use the word "program."

Cabot pointed out that there was a flexibility both as to amount and date, that the key measurements were those of the dangers involved and the availability of resources. Gordon pointed out that if we were not going to follow the medium-term defense plan there

was a danger of imbalance. Whatever was done had to be done in terms of a complete plan.

Rolle then described the role of the FEB. He said that the U.K. felt it was taking its fair share. It was in the middle as between some continental countries who were doing too little, overrepresenting, and emphasizing economic development for its own significance. On the other hand, the U.S. was anxious to minimize the economic difficulties and wished to act on the medium-term defense plan. The U.K. seeks judgments on relative capabilities and equities. It was very true that what was needed was to achieve a confrontation. This could be done best by keeping the 1951–1952 exercises and thereby finding out the areas of special weakness and their relationship to equity.

Gaitskell said what is the sense of talking about larger programs. However, we can talk about the capabilities of the U.K. and how does the U.K. program compare with what the French are doing? In any event one must recognize that military programs must always be reduced. This is a matter of elementary governmental procedure. Bissell said it seems clear that the economic and military must be brought together. It cannot be ruled out that we may have to end up with something between the present position of the military program and the economic and financial programs. It is certainly urgent to start the processes of give and take. Gaitskell said that they have felt that the burden-sharing exercise was, first, to establish criteria and, second, to apply them to the programs. It must be done for (1) public opinion and (2) in connection with the discussion of the allocation of aid. Of course, everything must be taken into account, and there is no exact formula. It is important however that people not be misled as to the prospect of aid. In that case, we will be misled in making our program.

Rolle stated that another important item is the coordination of end-item and production programs. Bissell said that steps were being taken now to tighten up the situation. With our limited funds, it will be more necessary than ever to tie up closely many different forms of extending aid.

Mr. Cabot said that Congress is insisting that the end items and the aid programs be closely integrated. He did wish to state that it was not contemplated that the U.K. program would be seriously interfered with in the effort to get items to Germany. Finally, as to East-West trade, he did agree that it must be put on a reasonable basis, but the fact remains that it is a highly political issue here. Bissell closed the meeting by saying that he would set up a group to compare figures so that we would all have a common understanding with respect to the prospects; that there seems to be agreement on the need for confrontation of military requirements

and economic capabilities, and we all ought to turn our minds to considering how this could best be brought about.

WILLARD L. THORP

No. 446

841.10/9-751

Memorandum of Conversation, by the Assistant Secretary of State for Economic Affairs (Thorp)

SECRET [WASHINGTON,] September 7, 1951.

Participants: Mr. Hugh Gaitskell, Chancellor of the Exchequer
Sir Leslie Rowan
Mr. Denis Rickett
Mr. Webb
Mr. Cabot
Mr. Thorp

Mr. Gaitskell reviewed for Mr. Webb his analysis of the British balance-of-payments situation and gave him a detailed memorandum on the subject. [1] He then summarized his meetings with Messrs. Wilson and Bissell. [2] Mr. Thorp inquired whether the statements in the morning newspapers concerning the talk with Mr. Wilson were correct, particularly with reference to steel and coal, since he had been present and had not heard that any such conclusions were reached. Mr. Gaitskell said that the news reports were not correct, that he was very much disturbed about it, and that apparently it had been given out by someone in Mr. Wilson's office. They are taking the matter up to see what could be done to correct it.

Mr. Gaitskell then said that he had three points of particular interest to the State Department to make:

(1) to explain their action whereby they propose to end the existing arrangement involving the virtually automatic convertibility of Iranian sterling into dollars. In view of the great strain which the Iranian action is putting on their dollar position, he does not feel that the arrangement can be continued. It amounts to $50–100 million per year. The Iranians of course will be free to use their sterling as sterling. He said that he understood that this had already been discussed with the Department, and that the U.K. was taking most seriously the American suggestion that the matter be presented in a way which will eliminate as far as possible the charge that it is an economic sanction.

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[1] Not found in Department of State files.

[2] See documents 444 and 445.

(2) He then referred to East-West trade saying that the Foreign Secretary will probably bring this up with Secretary Acheson. [3] He stressed particularly the fact that even under present arrangements the Russians will probably accumulate a surplus of sterling and they don't quite know what will be the result of this. The difficult points are tin and rubber. It is the British feeling that they are now at the point where further restrictions will hurt them more than they will hurt the Russians.

(3) Finally, he mentioned two German problems. First, with respect to the financial and economic implications of prospective developments, the U.K. will not be able to meet its occupation costs which have heretofore been met by the Germans; secondly, with respect to the debt problem, they feel that the post-war debt should have priority over the pre-war debt. He justified this position on the basis that much of the pre-war debt involved an assumption of risk and did not deserve to be rescued, and, secondly, that the general interest (government) should be put before that of various individuals. He stated very strongly that the debt problem cannot be gotten out of the way in advance of a determination on the first point. In fact, that all the elements in the German financial and economic situation should be resolved together.

WILLARD L. THORP

[3] See footnote 4, Document 444.

No. 447

Editorial Note

During the Tripartite Foreign Ministers meeting at Washington September 10–14, Secretary Acheson met with Foreign Secretary Morrison to consider problems of special interest to Anglo-American relations. On September 10 and 11 they discussed European problems, the Middle East including Egypt, Iran and Kashmir, the Far East with particular reference to Korea, and East-West trade. For the records of these two meetings, see U.S.–U.K. MINs 1 and 2, September 10 and 11, volume III, Part 1, pages 1228 and 1238.

At the same time another in the series of informal Anglo-American political-military conversations took place. At this meeting Bradley, Matthews, and Nitze discussed with Franks and Elliot the use of British bases and the atomic bomb, and attempted to define the terms under which the two countries would consult in the event of a general war. For a memorandum of this conversation, dated September 13, see volume I, page 883.

No. 448

741.00/9-2651

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Secretary of State [1]

CONFIDENTIAL [WASHINGTON,] September 26, 1951.

Subject: The Labor Government and the British Electorate

It is generally assumed by the majority of the Press and the public in the United Kingdom that the Conservatives will win the general election on October 25. Speculative attention is focused on the margin of victory, the Conservatives themselves believing that they will get a working majority of 30 to 40 seats.

Major Causes of the Decline in Popularity of the Labor Government Among the British Electorate.

The Labor Government has lost much of the popularity which carried it into office in 1945, a loss which has already been reflected in the greatly reduced majority Labor obtained in the 1950 election. Chief among the causes of the decline in popular favor are:

1. *Continued Austerity.* There has been an increasing amount of criticism of the Government by the civilian population for not taking more steps to alleviate the conditions of austerity which have existed in the United Kingdom since 1939. The food situation is well known and the supplies of meat available to the public are at a minimum. The production of clothing and household effects is rigidly controlled by the Government, and, when obtainable, these items are sold at exorbitantly high prices. Fuel is in short supply, especially coal, and there are in winter frequent stoppages of the gas and electricity services.

2. *Cost of Living.* The rise in the cost of living has meant increased hardship for the population and the Government has been subjected to serious criticism on this development.

3. *Governmental Controls.* The Labor Government has retained many of the rigid wartime controls of business, industry and agriculture. These are resented by many persons as interference in the free conduct of private business and affairs and because of the red-tape surrounding the simplest transactions.

4. *Inefficiency.* The Conservatives contend that there have been many examples of Governmental inefficiency, the chief ones being the heavy loss suffered by the nationalized coal, British Railways and civil aviation industries and the recurrent fuel crises involving cuts in gas and electricity supplies which affect not only the housewives but also the output of factories.

5. *The Recurring Financial Crisis.* Despite serious efforts by Sir Stafford Cripps and the Government to restore Great Britain's fi-

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[1] Copies also sent to Webb, Matthews, Hickerson, Rusk, McGhee, Barrett, Thorp, Cabot, and Nitze.

nancial position crises have occurred at disturbingly frequent intervals. After the devaluation of the pound sterling matters improved and it looked as though the United Kingdom was on the road to the restoration of its economic and financial independence. However, the Korean War intervened and since that time the United Kingdom's financial and economic position has considerably deteriorated due to the greatly increased defense efforts, the rise of world prices and the ensuing drain on Great Britain's finances.

6. *The Decline of Britain's World Position.* The action taken by the Labor Government immediately after the War satisfied the demands for independence by certain sections of the Empire and gave to the Government a feeling of satisfaction that they have solved these long-standing sores. However, certain elements of the Conservative Party have described these policies as a disruption of the Empire. No doubt these expressions of the Tories have influenced many persons who regard the Labor Government's actions as responsible for the weakening of the British world position.

7. *Foreign Policies.* Foreign policy is perhaps the only common denominator between the different parties in British political life. The emphasis is frequently placed on different methods in dealing with a problem but nonetheless British foreign policy in general is constant no matter what Government is in power. However, Mr. Attlee and his associates have come in for considerable criticism lately on the grounds that they have not been forceful enough in dealing with the current Iranian and Egyptian problems. No doubt the Conservatives would have used more forceful measures in coping with Mr. Mossadeq and probably also with the Egyptians. Alleged Governmental weakness on this aspect of foreign policy may well be injected into the campaign.

8. *Antagonism of the Middle Class.* The Labor Government has often, and with some justification, been accused by the Tories of class warfare. They have followed the world tendency of penalizing the wealthy class, but of more significance in connection with the coming election are the indiscretions made on occasion by Cabinet ministers which have not endeared them to the middle class, viz., Mr. Shinwell's statement in a speech that he didn't care a "tinker's dam" about the middle class. History has shown that generally speaking the outcome of elections depends on the floating vote which is composed largely of the middle class.

Reasons for Mr. Attlee's Decision to Call a General Election.

In 1950 the Labor Government was returned to power with a precarious majority and it has remained in power under difficult conditions. It has been faced with the possibility of being out-voted at any time in Parliament on a major issue, and an election would have been called in humiliating circumstances.

More positive reasons which impelled Mr. Attlee to call an election now presumably are:

1. *Opposition Attacks.* Through a policy of constant Conservative vigilance and parliamentary techniques the Labor Government has been kept under tension and strain with the result that Governmental business has been hampered, and the physical resistance of

the Ministers weakened by required presence in the House for long all-night sessions.

2. *Schism in the Labor Party.* Earlier irritants in the form of fellow-travellers and crypto-Communists in the ranks of the Labor Party were largely eliminated in the 1950 election. However, the recent Bevan schism caused the Government real concern. Bevan desires the Labor Party leadership and is alleged to believe that an early election would help him on his road because the Conservatives would not be able to cope with the extreme difficulties in the year ahead, would then be thrown out of office and he might lead a triumphant Labor Party back to Government. Attlee and Morrison have for the moment brought Bevan to heel and closed the Party's ranks in the face of Tory onslaughts. However, the schism is not healed and Attlee and the Party leaders have been aware that at any moment Bevan might even cause the fall of the Government. By calling the election at this time, Attlee doubtless hopes also to avoid or mitigate the differences with the Bevan wing at the scheduled Party Conference in early October.

3. *Worsening of the Financial and Economic Situations.* The decline in the United Kingdom's dollar balances, the rise of world prices, the balance of trade figures and the generally increasing debility of the British financial situation over the last six months point to the dangers of another financial crisis. Given the weak Parliamentary position of the Government, this prospect must have caused Mr. Attlee considerable concern. He could certainly see the dangers in such a situation to the life of his Government.

4. *Criticism of Foreign Policy.* Although foreign policy of the British Government, whatever party is in power, is fairly constant, the Labor Government has had to be vigilant in the face of the Opposition's efforts to criticize it in its dealing with other countries. The recognition of the Communist Chinese Government and the British attitude in certain aspects of Far Eastern problems has paid few dividends; the catering to Nehru has brought considerable disillusionment; and the failure to solve the Iranian and Egyptian problems has been discouraging.

5. *Failure of the Government to Regain Lost Popularity.* The polls on public opinion last spring indicated a decided swing to the Conservatives. It is likely that Mr. Attlee believed that in the early autumn this opinion might have changed to a more favorable attitude to his party, but this has not occurred and public opinion is about the same as it was in May. Mr. Attlee cannot anticipate any increase in the Government's popularity in the coming winter when shortages will be more evident and the cost of living will rise further as the rearmament program gets into full operation. In other words, losses now may be estimated at less than they would be some months hence. Furthermore, because of probable attrition through by-elections Labor could not hope to remain in office until 1955.

All in all the story adds up to the point that Mr. Attlee and his associates are tired and rather disillusioned and that they feel that they cannot struggle any longer against the feelings of the majority. There are difficult decisions ahead. Unless there are some radi-

cal changes in the world picture, the British Government will have to face issues of great magnitude on questions of foreign policy, rearmament and finance. Perhaps Mr. Attlee may have felt it wiser to let the Conservatives take these unpleasant, unpopular decisions. The Labor Party seems willing to give up office at the present time with the odds against them in reelection but with the hope that they will come back to office in the not too far distant future following the failure of the Conservatives to solve the present world-wide problems which they would inherit from Mr. Attlee's Government.

No. 449

641.61/10-1951

Memorandum by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor) [1]

SECRET [WASHINGTON,] October 18, 1951.

CHURCHILL'S IDEA OF POSSIBLE HIGH-LEVEL MEETING WITH SOVIETS

THE PROBLEM

If the Conservatives win the election in the United Kingdom, which is likely, it is almost certain that Mr. Churchill will propose, and he may do so very promptly, a high-level quadripartite meeting involving the Soviets at the Stalin level. It is necessary, therefore, for us to have a position on such a proposal developed for possible use any time after October 25.

INDISPENSABLE CONDITIONS

1. That a truce in Korea be arranged prior to such a meeting.

Comment: While this is a point on which White House judgment should be ascertained and be controlling, it is believed that it would be politically impossible for the President to sit down while fighting continues with the head of the State who has the power to bring about a cessation of aggression against the U.N.

2. That the meeting not be held in Soviet-controlled territory.

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[1] This memorandum was transmitted as an enclosure to a memorandum from Bohlen to Matthews, dated October 19, in which Bohlen stated that he believed the conditions set forth in it were indispensable for any meeting with the Soviets. Bohlen further suggested that Matthews discuss the paper with Secretary Acheson. At the bottom of Bohlen's memorandum is the following handwritten notation: "Oct. 25. The Secretary last evening strongly opposed any idea of a meeting with Stalin at this time."

Comment: A neutral location such as Stockholm would be acceptable to us. The Soviets, however, would probably insist on a location where they could control their own communications. As a practical matter, this might limit the choice to Vienna or Berlin.

3. That the French be included making the meeting quadripartite.

4. That the Chinese Communists not be included.

5. That there be a full understanding with the British and French as to the limitations of such a meeting and agreement on the part of the three to make these limitations clear to the world.

Comment: All we could hope to accomplish would be (a) to exchange views on an admittedly tense world situation (b) as far as can be done by word (probably little) attempt to dispel Soviet fears that she is "being ganged up on" (c) if any disposition to negotiate seriously is discovered that a very limited number of questions on which progress might be possible be placed in train for progress towards settlement. Austria, Germany, and disarmament are possibilities.

REASONS FOR AND AGAINST SUCH A MEETING

Pros

1. In a period when the relative power position of the West is slowly but gradually improving, there is always the danger that leaders of a totalitarian state, if left in isolation, might arrive in such a period at unwise decisions. In such a period no harm can be done and it may be useful to maintain contact with the Soviet leaders, particularly Stalin.

Comment: By talking possibly some apprehensions which may be held might be lessened (it would be too much to expect that they could be removed) or more probably talks could open up some new or different channels of thought by the Soviet leaders. As the French view it, a potential enemy is less likely to make a move while you are talking to him.

2. Subsidiary to (1) above:

(a) A mere exchange of views with Stalin might, under the circumstances, lessen tension. At a minimum such an exchange of views would provide us with an opportunity of obtaining the best indication we can get of Soviet thinking.

(b) If any desire to negotiate seriously is found, progress towards solution might be started on a few selected subjects such as Germany, Austria and disarmament.

3. There is a strong demand over the world, even in countries closely allied to us—UK and France—and also in this country—to attempt further negotiations.

4. There may, therefore, be an important propaganda advantage deriving from our taking the initiative.

5. Churchill's idea is for a meeting with Stalin. While the results of such a meeting would be problematical, if there is any possibility for negotiation, they would more likely be found as a result of talking with him directly than through contacts with lesser Soviet officials.

6. It will be very difficult to reject such a proposal if Churchill makes it, which is very likely, especially if it becomes known that he has made it which would almost certainly be the case.

Cons

1. False hope would be raised in the world with probable consequent disillusionment.

2. There is no indication of a change in Soviet attitude which would lead to hope that any specific problems are ready for solution.

3. Possible adverse effect on the Western rearmament effort.

4. There would be more pressure because of public opinion on the President to make the meeting a success which would mean to make concessions than on Stalin who does not have to worry about public opinion.

THE DOMESTIC POLITICAL PROBLEM

This question will require evaluation by the White House. It boils down to a question as to whether the President would or would not come under serious attack for agreeing to such a meeting at this time. There is undoubtedly sentiment in the country both ways which needs to be weighed.

TENTATIVE CONCLUSIONS

1. Strictly from the foreign policy angle there is a slight edge in favor of agreeing to a meeting.

2. The edge, however, is so thin that we ourselves should not advocate a meeting. We will almost certainly be confronted, however, by such a proposal from Churchill if the Conservatives win the election which it would be extremely difficult to reject.

3. Under the circumstances, we should probably go along with Mr. Churchill's proposal unless the evaluation of the domestic political angle is strongly against such a course.

Annex

Paper Prepared in the Department of State

SECRET [WASHINGTON, undated.]

It is recommended that in view of the very serious ramifications of this proposal that Churchill should be warned not to proceed hastily or publicly on it. It is felt that the best way to accomplish this would be to instruct Gifford to raise the matter with him or with the new British Foreign Secretary if the Conservatives win the election immediately thereafter. A draft of a proposed instruction to London along this line follows:

"We have noted with some concern Churchill's refs in speeches to possible mtg between the President, Churchill and Stalin. After election results announced and if Cons win, you shld seek early opportunity to discuss this matter with Churchill or new FonMin pointing out that there shld be no hasty public move re mtg with Stalin before discussions with us. You cld say that there are many pro and cons to desirability of such mtg which wld need to be carefully weighed and which we wld wish discuss thoroughly with Brit prior possible public proposal."

No. 450

396.1/10-2551: Telegram

The Acting Secretary of State to the Embassy in the United Kingdom [1]

TOP SECRET WASHINGTON, October 25, 1951—8:09 p.m.
PRIORITY NIACT

2198. Eyes only for Gifford and Holmes. We have particularly noted Churchill's repeated reference to the desirability of meeting of Heads of Governments. We have grave doubts as to the desirability of any such meeting, as there has been no indication of any change in the Soviet attitude which would imply the Soviets would be prepared to reach realistic accommodations on any of the issues creating tensions today. Without any such indication, and if the meeting is held at suggestion of West, the pressure would be on the Western countries to make concessions so that the meeting could appear successful. In this connection we have in mind the present Soviet attitude on the Korean Armistice talks and their efforts to frustrate or slow German rearmament, etc. The President's posi-

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[1] Drafted by Perkins, Raynor, and Walworth Barbour of the Office of Eastern European Affairs, and cleared in principle with Secretary Acheson.

tion has been clearly stated that he is prepared to meet Mr. Stalin in Washington if the latter desires to do so but this is very different from our soliciting a meeting at some other place. It would accordingly be a serious matter if Mr. Churchill should make any public proposal in this sense without prior consultation with us. Consequently, in the event the Conservatives win, it seems to us important that Mr. Churchill know at the outset our position as above and it will be appreciated if you will take earliest opportunity after election to inform him along these lines.

Mr. Churchill may desire to talk to the President at an early date about this and other matters. If this is brought up you should know the President's situation. For the next two weeks he will be busily engaged acting on the laws passed by Congress. Immediately thereafter he proposes to take a vacation for approximately a month. Therefore, the earliest time that would really be convenient for the President would be about the middle of December. Furthermore, it would be difficult adequately to prepare for such meeting before that time as many of the people who should be involved in the preparations for the meeting will also be away during that period.

WEBB

No. 451

Editorial Note

In the British national election on October 25 the Conservative Party obtained a majority of the seats in Parliament over all other parties combined, gathering 321 to Labour's 294, Liberal's 6 and 3 others. Churchill then undertook the formation of the new government taking for himself the Prime Ministership and the Ministry of Defense. Anthony Eden became Foreign Secretary as well as Deputy Prime Minister and Leader of the House of Commons.

On October 27 Secretary Acheson transmitted to Eden through the Embassy in London his congratulations upon appointment as Foreign Secretary and expressed his desire to meet Eden in Paris, where they would both be attending the Sixth Regular Session of the United Nations General Assembly, and "have informal discussions on a number of the important problems facing" the United States and the United Kingdom. (Telegram 2226 to London, 751.13/10-2751)

In Paris during the first week of November and later at Rome during the Eighth Session of the North Atlantic Council Secretary Acheson and Foreign Secretary Eden discussed informally the situ-

ation in the Far East, the Near East, including Iran and Egypt, and topics relating to the defense of Western Europe. Regarding their meetings and the tripartite meetings with Foreign Minister Schuman during November, see the editorial note, volume III, Part 1, page 1312.

No. 452

Editorial Note

On November 5 the British Embassy delivered to the Department of State a message from Prime Minister Churchill to President Truman stating that Churchill planned to visit Canada at the end of the year and proposing that he come to Washington for talks before returning to the United Kingdom by Christmas. In subsequent exchanges of messages it developed that the most convenient time for Churchill to visit President Truman would be at the beginning of 1952. Documentation on the meetings of the two Chiefs of State and the preparations for their conversations is scheduled for publication in *Foreign Relations*, 1952–1954, volume VI. The two papers, Documents 453 and 454, which were prepared in part for the Churchill visit, are printed here to provide a perspective on the United States–United Kingdom relationship at the end of 1951.

No. 453

PPS files, lot 64D563, box 728

Paper Prepared by the Policy Planning Staff

TOP SECRET [WASHINGTON,] November 20, 1951.

OUTLINE FOR DISCUSSION AT JCS MEETING NOVEMBER 21, 1951 [1]

US–UK ALLIANCE

The Nature of the US–UK Relationship

1. We have, in fact, at the present time a special relationship with the U.K. which involves consultation between us on a wide range of matters of joint concern.

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[1] For a record of the discussion of this paper at the Department of State–JCS meeting on November 21, see the record of the meeting, *infra*.

2. It can be assumed that one of the major reasons for Churchill's visit is his desire to develop what he regards as a US–UK partnership. [2]

3. It is important for us to consider what we regard as the purpose of this special relationship or partnership with the U.K.

a. There is, of course, the general purpose of maintaining the leadership of the free world in the hands of those closest to us in tradition and outlook. Through our relationship with the U.K., we and the British Commonwealth of Nations have been able to maintain such leadership.

b. Another purpose of our close association is our desire for the use of british bases generally, and specifically the use of British facilities for our strategic air force. The most effective way of assuring that these bases and facilities will be available to us at such time as we may wish to use them will be to secure a concert of views between the two countries.

c. The other major purpose of our relationship is to make the most effective and efficient use of our respective total capabilities. Here also we require the same objectives, as far as possible, in order to achieve our purpose.

4. In some areas of the world the U.S. carries the major responsibility and therefore exercises the predominant leadership. In Korea, for instance, we would expect the British to support our policies to the greatest possible extent. In Egypt, where the British carry the major responsibility, they would expect the same of us. It is clear that neither country can give a blank check to support the other's policies, but to the extent the alliance or partnership functions successfully the areas of disagreement will be thereby minimized.

5. It is in our interest to take such measures as we can to strengthen the British position generally and in specific areas, so that they can carry out a large share of the overall responsibility.

6. If it develops that the British are not capable of continuing to exercise responsibility in a given area, we will have to decide the strategic importance of the area and whether we will be willing to substitute ourselves (as in the case of Greece), or whether there is some other alternative to British responsibility. Obviously our efforts should be directed toward reducing the number of instances in which British capabilities are unequal to the responsibilities they have undertaken. in any case, one of the advantages of a partnership is that it can facilitate the shifting of responsibilities to accord with capabilities.

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[2] Regarding Churchill's visit to the United States, see the editorial note, *supra*.

Specific Area Problems

1. In Korea we wish to secure the advance support of the U.K. for certain military actions which we presently consider may be necessary as a means of dealing with continued hostilities there or a renewal of hostilities after an armistice.

2. In the absence of specifically altered world conditions, we want the British to join with us in preventing the seating of Communist China in the UN and the return of Formosa to the authority of Peiping.

3. It will be necessary for us to recognize the importance which the British attach to Hong Kong and the probable necessity of committing ourselves to furnish assistance to them in Hong Kong if their support for our policies elsewhere results in increased Communist pressure on Hong Kong.

4. The British may raise the question of their participation in the Pacific Security Pacts and may seek an extension of such security arrangements, at least to include Singapore. The question of what commitments we undertake in Southeast Asia and what division of responsibilities will be borne there require a further concert of views.

5. In Iran the British will continue to seek full U.S. support for their position. It will be impossible for the U.S. to give its complete support to the U.K. unless we can arrive at a joint agreed estimate of the situation. . . .

6. In Egypt we have recognized the predominant British interest and are giving them our support. We should attempt to move the U.K. in the direction of a settlement of the Sudan problem and we should continue to support a Middle East Command as a means of settling the dispute about the Suez bases.

7. With respect to the other Arab States, our policy should be to support the British and seek by means of a Middle East Command to strengthen the area and permit the British to exercise responsibility there.

8. The British position with respect to the creation of a European defense force and other European organizations of an economic and political nature is another problem on which we should seek to concert our views. The relationship of the U.S. and the U.K. to continental European organizations presents a further range of problems on which progress is desirable.

9. While general agreement has been reached with the U.K. as to the desirability of creating German forces, there remain important differences of view with respect to the way in which this should be accomplished. The differences are in large part a consequence of the present financial plight of the U.K. and its unwillingness to

forgo German assumption of occupation costs. The problem is broader than this, however, since it inevitably involves the question of the pace of the whole of NATO and indicates the necessity of agreement between the U.S. and the U.K. as to the appropriate timing of the European defense effort.

10. The general question of our relationships with the U.S.S.R. requires continuing efforts to maintain a common front. There are certain differences in our general appraisals of the situation. The U.K. is apt to put great weight on the narrow objective of reducing tensions while we put greater emphasis on working toward that degree of strength and solidarity in the free world that will permit us to look forward to a retraction of the U.S.S.R. and a modification of the Soviet system. Even in the field of negotiation with the U.S.S.R., there are likely to be some differences between us.

SPECIFIC US–UK PROBLEMS

The Atomic Energy Program

1. In connection with the atomic energy program, the U.K. will probably seek a closer association. The U.S. will have to consider whether the present arrangements are adequate to assure that the U.S. and the U.K. programs are complementary and also that the U.K. has available adequate information to permit judgments comparable to our own. We will not secure a real concert of views if the U.K. lacks an awareness of the elements of strategy we believe most desirable.

The U.K. Economic Position

1. The U.K. faces a critical economic and financial situation. It is essential that the causes of the U.K. difficulties be thoroughly analyzed to determine what measures are needed to deal with the problem.

2. There will obviously be measures which ought to be taken by the U.K., and these may involve import controls, tightening of credit, export drives, increases of output, and sterling area controls.

3. There are also measures which we might take. These might involve raw material purchasing, export assistance on critical materials, financial aid, and the foregoing of interest on past loans.

4. There are also structural aspects to the question which will have to be considered to see what improvements can be affected. The structural aspects involve the EPU, the sterling area, the International Monetary Fund, and others.

The Machinery for Concerting US–UK Views

1. In trying to determine how best to secure a concert of views with the British, we will have to give attention to joint mechanisms as well as the most effective organization on the U.S. side.

2. While our object is to concert our actions and policies with the U.K. to the greatest possible extent, it would not be in our interest to provide the U.K. with the veto power over our decisions. We do not wish to reduce the U.K. to the position of a satellite but instead, by consultation, to secure a working relationship which will permit us to utilize our respective capabilities in our common interest.

3. As a general principle to be applied to the question of machinery for concerting our views, it would be our position that what is needed is combined machinery for consideration of problems but not their decision. This principle is applicable to the military, the economic, and the political problems with which we will be dealing. It is applicable to problems between the U.S. and the U.K. vis-à-vis the rest of the world and to problems between the U.S. and U.K. themselves.

4. There would not appear to be any necessity for new formal machinery. In short, we do not want to create a Combined Chiefs of Staff organization or a similar organization in the political field.

5. By avoiding formal combined machinery for consultation, it should be possible to concert our views without large joint staffs, and it will be easier to avoid pressure for tripartite and multilateral machinery which we do not wish to see proliferated.

6. What we are interested in is developing means of consultation which will be an improvement over methods in use at present.

7. The Slessor type talks [3] can be utilized as a means of securing a continuing review of emerging problems on which U.S. and U.K. views should be concerted. These talks should be held at regular and frequent intervals (perhaps every month). As a result of such a periodic review of the problems that are arising as between the U.S. and the U.K. and between them and the rest of the world, each government could submit to the others its views or questions which it may have on particular problems.

8. Those matters which could be dealt with in the Slessor type talks would continue to be handled there, but whenever a matter was brought up which required a different type of consideration, each government could appoint representatives to an *ad hoc* committee to provide such consideration. This would permit different

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[3] Presumably a reference to the informal political-military talks between the United States and United Kingdom, initiated in January; see the memorandum of conversation, Document 427.

types of consideration, depending on the nature of the matter involved.

No. 454

State-JCS Meetings, lot 64D563, box 728

Department of State Record of a State–Joint Chiefs of Staff Meeting Held at the Pentagon, Wednesday, November 21, 1951, 10:30 a. m. [1]

TOP SECRET

PRESENT

General Collins	Mr. Matthews
Admiral Fechteler	Mr. Nitze
General Twining	Mr. Bonbright
General Bolte	Mr. Ferguson
General White	Mr. Lacy
Admiral Fife	Mr. Johnson
General Cabell	Mr. Marshall
Admiral Wooldridge	Mr. Tufts
Admiral Nalor [*Lalor*]	Mr. Lay
Colonel Carnes [*Carns*]	

General Ruffner

[Here follows discussion of an article in the *New York Times*, Korea, the Singapore talks, and Iran.]

Churchill Visit [2]

Mr. Matthews: We would like to take up the problem of preparing for Mr. Churchill's visit. I thought it would be helpful for Mr. Nitze to present some of the background.

Mr. Nitze: We would like to expose our preliminary views on this matter. The first thing we ought to look at, I think, is the question of what we want to get from Mr. Churchill. Of course we will have to look at what he wants to get from us and what we can accept, what we will have to reject and what we can compromise about. The major problem in our view is the kind of relationship that we want with the British. We have in fact a special relationship with

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[1] The source text bears the typewritten notation "State Draft. Not cleared with any of the participants." The Department of State–JCS meetings, begun in January 1951, were held on a regular basis with either side bringing up topics which it wanted to discuss. Records of the meetings for 1951 are in lot 64D563, box 728.

[2] Regarding Prime Minister Churchill's visit to the United States, see Document 452.

them. It has not worked well since Mr. Bevin became ill. It has not worked at all well with Mr. Morrison. The present government has not been organized long enough to work out the form of the relationship but I think it is working toward a closer one. The Churchill visit is a good opportunity for us to shape this relationship. Public opinion in the U.S. is more favorable to the U.K. now that Mr. Churchill has returned to office. I think we can hope for a sounder relationship with the Churchill government than we have had with Mr. Morrison. The thing we want to avoid, in our judgment, is the creation of new machinery. We have plenty of machinery now. Above all, we do not want to reconstruct the Roosevelt-Churchill relationship of the last war.

General Collins: We all agree with you on that.

Admiral Fechteler: There is no doubt that Churchill wants to use the trans-Atlantic telephone.

Mr. Nitze: We are concerned that he will want a Combined Chiefs of Staff in the economic and military fields. On the other hand we can not be negative. We will have to have our own idea of a better solution in order to head off a bad solution. We think that one thing that could be developed further is the joint political-military talks that we have been holding on such matters as the Yugoslav problem. These are not decision-making talks but consultative talks. It has occurred to us that we might build this up somewhat and hold them more often. We feel that they might be a helpful way to a concert of policies and to the building of a good relationship. Of course these talks would not be the only machinery. We have all kinds of machinery for economic affairs, for NATO affairs, and so forth. There is the relationship which Elliot has with you. . . .

General Collins: Hong Kong is another example of a problem on which we need to develop a joint policy.

Mr. Nitze: There seem to be two objectives which we ought to try to accomplish. In the first place, we want to assist the U.K. to strengthen its position and to gain additional prestige. There are some areas in which the British have got to take the lead. Egypt is one of these. In short we want the British to be an asset to us, not a drain on us. We want them to carry the load wherever they can and especially in those areas where we can not carry it. Secondly, we want the British to support us in areas where we are taking the lead. Korea is a case in point. By the same token we will have to be prepared to support them in some areas. I don't think there is any one way to solve all these problems.

Mr. Matthews: There is an additional problem which we will have to consider, namely, the British economic problem.

Mr. Nitze: I should have mentioned that. It is a very serious and difficult problem. We have a number of people working on it. We are now considering ways and means of giving support to the British.

Mr. Matthews: We must expect that Mr. Churchill will want to talk about a Big Three or Big Four meeting. He still has the view that the meetings with Stalin during the war produced good results. He likes the face-to-face method of approach.

General Collins: Of course, I am not so sure the results were good.

Mr. Matthews: The point, though, is that Mr. Churchill believes that the results were good.

Admiral Fechteler: Where would the talks be held?

Mr. Matthews: That is a problem. The President has taken the position that he is prepared to meet Stalin in Washington any time Stalin is willing to come. Of course, Stalin will not come to Washington but if he is interested in a meeting he might come to Berlin or some other place where he had control over his communications. In our view it would be extremely dangerous to hold conversations with Stalin unless we had made most careful preparations. If Churchill finds that he cannot obtain our agreement to a Big Three or Big Four meeting, he may decide to go to Moscow alone. During the election campaign Churchill was pictured as a war-monger by the Labor Party. He is very sensitive on this point. It would help him politically in Britain if he went to Moscow in all humility. In our view, this too holds great dangers. He has a propensity to speak for the Americans as well as the British. We have had some experience of that during the war. The question that this raises is whether a U.S. representative should accompany him on such a mission.

General Collins: I think there would be even more danger of his speaking for the U.S. in that event.

Mr. Matthews: That is a point to consider. Of course, Churchill rather favors the idea of spheres of influence—he thinks that the world can be divided up in such a way that Stalin will agree to stay here and we will agree to stay there.

Mr. Nitze: I think there is a basic difference in our points of view. Mr. Churchill and the British are much more concerned than we are to obtain a simple relaxation of tensions. They think it is very important to reduce tensions somehow. I suppose this derives from the vulnerability of the U.K. in the event of war. We feel, on the other hand, that until we have built up our strength and can secure some retraction of Soviet power it is dangerous to freeze an unsatisfactory situation. In other words, our objectives are farther forward and longer run in character.

Mr. Matthews: Our Secretary feels that a Big Four meeting would be a mistake.

General Collins: With reference to the possibility of more frequent meetings with the British on special areas, how would we follow these meetings up with the French? The fact of the meetings is bound to become known to them. What will their reaction be? Will we just ignore their reaction or will we hold meetings with them also?

Mr. Matthews: I think we would have to have some meetings with the French. Our efforts with the French would be to underemphasize the importance of our special relationship with the British.

General Collins: In our dealings with the British we must reserve the right to talk with whomever we want to about any problems whatsoever.

Mr. Nitze: We agree. For example, we have got to talk with the Canadians. We did talk with them regularly for a while and we soon ran out of topics. [3] For that reason we found that meetings with the Canadians presented no real difficulties.

. . . . . .

Admiral Fechteler: What about atomic energy questions?

Mr. Matthews: Mr. Churchill will clearly want to take this range of questions up with us.

Mr. Nitze: I thought that we should adhere to the position which we took in our previous talks—the talks that Mr. Matthews, General Bradley, Elliot, Franks and I had. [4] That position flowed from our talks with the JCS and JSSC.

Mr. Matthews: We think there is an advantage to consider this in the context of the joint policies needed in the event of war. I do not think that Mr. Churchill will be prepared to accept our position. He still thinks in terms of the war-time agreement and full cooperation we had at that time. He will want to return to that situation if he can and probably believes that had he stayed in office, that cooperation would have been maintained.

Admiral Fechteler: In his Guild Hall speech Churchill stated that the British were entitled to special consideration in this matter because of the bases problem. [5] What does he mean in your opinion by special considerations? Does he want financial assistance or something else?

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[3] For the records of the conversations with the Canadians during May, June, and July, see vol. I, pp. 802 ff.

[4] Presumably a reference to the meeting on September 13; see vol. I, p. 83.

[5] For an extract from Churchill's Guildhall speech on November 9, dealing, *inter alia*, with the question of bases in East Anglia, see Folliot, *Documents on International Affairs, 1951*, pp. 136–138.

Mr. Matthews: No, I think he wants information and consultation regarding all atomic matters.

Admiral Fechteler: Surely he knows our law, and that led me to wonder whether he would have made this proposal public if what he had in mind was information and consultation.

Mr. Nitze: Of course the law has now been modified in some respects.

General Collins: We are working on this problem with State at the request of General Eisenhower. He has got to be able to talk with some of his staff people about atomic energy matters if they are going to plan intelligently. A position on this is being worked up regarding a modification of the law.

Mr. Matthews: It is clear that Churchill is going to raise these questions since he is bringing Lord Cherwell with him.

[Here follows discussion of Spain and the Singapore talks.]

No. 455

741.5/12-351: Telegram

The Economic Cooperation Administrator (Bissell) to the Embassy in France [1]

TOP SECRET WASHINGTON, December 3, 1951—6:30 p.m.

Torep 9124. Reference: Paris to State 3210, Nov 29. [2] Batt concurs. This joint State–ECA–DMS cable. For Harriman.

1. Rickett British Embassy has presented document as basis for negotiations on FY '52 aid. [3] It confirms British request for $600 million, states British have been informed in Paris of possibility securing $300 million, and discusses ways and means of providing the other $300 million.

2. At meeting on Monday, Bissell, Batt, and Reps of State, Defense, and DMS will have preliminary discussion with British. Expect that initial US line will be that, while seriousness of British position is acknowledged, aid discussions should be occasion for general review of UK defense expenditure and whole short-term

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[1] Drafted by Woodbridge and Cleveland and cleared by Batt (who was in Washington for consultations), Schelling, Ohly, Martin, and Bissell.

[2] Harriman reported in telegram 3210 that the British would submit a memorandum concerning their aid problem for fiscal year 1952. Harriman believed the negotiations on aid to the United Kingdom should be carried on in Washington and should not be delayed pending completion of the TCC report. (740.5-MAP/11-2951)

[3] A copy of the British memorandum, transmitted to Bissell as an enclosure to a letter dated November 29, is in file 741.5/12-351, together with a memorandum of Rickett's conversation with U.S. officials at the time he presented the memorandum.

economic position, including review of balance of payments prospects for sterling area. Discussions will continue in London when Batt returns there December 10. Rickett going to London at same time.

3. In line with Paris Embtel 3210, we would hope that firm decision could be reached on level of FY '52 aid during December, at conclusion of this quick but intensive review of British economic position.

4. It is further hoped that it will be possible about same time to achieve firm understanding on levels steel allocation and on other commodity matters now under review here.

5. Timing announcement aid decision (as distinct from making decision) should be considered in relation Churchill visit, that is, might following further study implications be announced (a) before visit, (b) as part communiqué reporting result visit, or (c) independent of visit as aftermath TCC report. [4]

6. Informal interagency group here will be considering long term outlook and measures that might be taken in connection with US-Sterling Area economic relations, to put them on something better than *ad hoc* basis. While there might profitably be some informal high-level discussion this subject during Churchill visit, our present view is US Govt needs few weeks for internal considerations of far-reaching problems involved and early official level discussions with Brit wd therefore be impossible. Our idea under discussion here is that communiqué at conclusion of Churchill visit might announce establishment of joint Anglo-American committee or panel to consider long-term economic and financial relations between dollar and sterling and make recommendations for measures leading to solution of persistent problems which produce recurring crises.

BISSELL

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[4] For documentation on the work of the Temporary Council Committee (TCC), see vol. III, Part 1, pp. 1 ff.

No. 456

641.61/12-551

Memorandum by the Counselor of the Department of State (Bohlen) [1]

TOP SECRET [WASHINGTON,] December 5, 1951.

MEMORANDUM

The difference in approach between the UK and US to the problem of the Soviet Union is compounded by a great variety of factors. Unquestionably, an important, if not the chief factor, is the different geographic location of the two countries. By this fact alone the UK must be more concerned at the prospect of war with the Soviet Union than is the United States. Although we, of course, share a common desire to avoid such a war if possible, nevertheless, the immediate consequences of a war with the Soviet Union could be so much more catastrophic for the UK than for the US that a greater degree of caution and even, in our eyes, timidity is to be found in the British position and they are understandably less prepared to take risks than is the case with the US Government. In addition, British traditions of patience, muddling through and willingness to live with situations rather than seek solutions as against our tendency to want quick, automatic answers to most questions of foreign affairs play their part in the difference of approach. The internal political situation of the two countries adds another factor. In Great Britain, although Labor is no longer in power, the balance is so close that the Conservative Government has to pay special attention to its views. The Left Wing of the Labor Party, which appears to be in the ascendancy, for ideological and other reasons is more conditioned to regard a settlement with the Soviet Union as an alternative to present dependence on the United States. To these factors must be added the one of Churchill's personality and his known views on foreign affairs.

It is, of course, not possible to weigh with any degree of accuracy the influence of the above elements in the determination of British attitude towards the USSR (nor are they exhaustive), but the sum total results in a tendency to play down the extent of the Soviet menace and an accompanying tendency, its natural corollary, to play up the possibilities of settlements through diplomatic means.

[1] Attached to the source text was a memorandum of transmission to Parsons, the Deputy Director of the Office of European Regional Affairs, dated December 6, which indicated that Bohlen's memorandum was a response to a request by Parsons on behalf of Matthews, the Deputy Under Secretary of State.

British officials have always tended to equate the problem of the Soviet Union with that of Czarist Russia rather than the complex mixture of Russian ambition, totalitarian state and center of the world revolutionary movement which, in fact, it is. This difference has been visible in almost every conference we have had with the Soviet Union and, aside from the special features of Mr. Churchill's personality, will not be substantially modified by the Conservative victory. In fact, the Conservative victory, with certain variations, will undoubtedly increase the desire of the British Government to make an attempt at a high level to reach diplomatic settlements about which the British have been more optimistic than the US. In other words, Churchill's accession to power will add an impetus to deal more with method, i.e., a meeting at the higher level rather than any fundamental political change.

As to the difference in substance, it would appear that stemming from the different concepts of the Soviet Union, the British are not reluctant to contemplate a settlement with the Soviet Union along the lines of spheres of influence. This form of settlement has certain special attractions to Churchill as his wartime efforts with the Soviet Union, especially in his 1944 visit, disclose. There has not been in the British attitude and certainly not in Mr. Churchill any moral recoil from this method of settling big-power differences. The British, furthermore, are less sensitive to the charge of "appeasement" since their public opinion through generations of experience is more conditioned to expediency and power realism in their foreign relations.

Insofar as this Government is concerned, most of these factors operate in the other direction: (1) Due to our geographic position we have been able to be more objective about the nature of the Soviet phenomenon (although with a tendency perhaps to go over on the other side); (2) With less experience, our public opinion is apt to denounce as appeasement any diplomatic flexibility; and (3) For moral reasons sphere of influence arrangements are quite unacceptable to the American people. In addition, however, on a realistic basis, we do not consider that spheres of influence, quite aside from moral considerations, are a workable arrangement with the Soviet Government primarily because of Kremlin control over Communist parties which can operate in complete violation of such agreements without involving the Soviet Government officially.

To sum up, for the considerations advanced above, the British generally take the line that it is not only possible but desirable to make arrangements with the Soviet bloc as it stands, of course including Communist China, and that some reasonable durable basis for such a settlement could be found, whereas we don't believe that this is an acceptable assumption both for moral reasons and for

practical reasons emanating from the nature of the Soviet state and its control and direction of Communist parties in other countries. It would not appear that there is much that could be done to bring into closer alignment the difference in *attitudes* towards the USSR since they stem from factors which are not susceptible to change.

(1) We should lose no opportunity to endeavor to bring the British to an acceptance of a more realistic estimate of the nature of Soviet power by sharing with them the fruits of our research and study. (So far as we are aware, the British have lagged way behind us in intensive study and specialization in Soviet affairs.)

(2) We should not be afraid to meet with the Russians in a four-power meeting provided we have a real identity of aims and tactics agreed on beforehand with the British and French.

(3) We should not, however, allow our appreciation and sympathy for Britain's difficulties and fears to become a determinant factor in a joint policy towards the USSR.

No. 457

741.13/12-1951: Telegram

The Ambassador in France (Bruce) to the Secretary of State[1]

SECRET PARIS, December 19, 1951—6 p.m.

3663. Emb is transmitting separately text of communiqué issued as result Churchill-Eden visit here.[2] Discussions with Brit Amb[3] and with La Tournelle of FonOff have developed fol:

Brit Amb states that major topic of discussion was Eur army. French recalled that they had never pressed Brit to join EDC but made point that public expression of Brit support wld be of great value. Problem was to "improve upon Morrison" without committing Brit Govt to anything to which it is not already committed. Term "association" was found to meet requirements. Brit suggestion that communiqué include statement "French accept Brit point of view" re Brit position was finally dropped.

Churchill personally made clear that he did not favor or understand proposed integrated def community and that his idea of a Eur army had always been a coalition force to which each nation wld contribute a number of divisions from its national forces. He said that militarily this continued to make sense to him but that he wld not speak against Eur army and in fact wld emphasize Brit

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[1] Repeated to London.

[2] Telegram 3673, December 19, not printed. (741.13/12-1951) For text of the communiqué, see Folliot, *Documents on International Affairs, 1951*, pp. 141-142.

[3] Sir Charles Oliver Harvey.

association with whatever arrangement continent is able to develop. He envisages that this association will involve relationship between Brit forces in NATO on one hand and EDC forces on other similar to that prevailing between present UK, US, French and other NATO forces under SACEUR.

Brit Amb states that Eisenhower expressed himself to Churchill as very favorably impressed by communiqué and stated he did not wish Brit to be incorporated in EDC.

Both Brit and French conferees agreed as to need for three-power staff talks on Far Eastern sitn and Churchill will undoubtedly urge these in Washington next month. Concern was expressed by French re aftermath of Korean armistice, if one occurs. Both parties to conversations agreed as to importance of safeguarding present Far Eastern positions, particularly Indochina as key to Burma, Malaya, etc. There was some vague talk about possible negots which wld lead to Chinese neutrality in SEA, but nothing was defined. Brit Amb states French conferees reported De Lattre as being seriously ill and perhaps subj to operation for bone disease. (This is counter to our own recent info which indicates that, while De Lattre is tired from emotional and physical strains of past year, he is fairly fit and plans to return to Indochina within a few weeks.)

According to Amb, Brit stated that conditions in Middle East shld become increasingly object of tripartite concern and that contributions, particularly milit, of other members wld undoubtedly be required to maintain position there and share burden equitably.

La Tournelle, who did not participate in conversations, stated that they were generally inconclusive, altho public effect was good and what French desired. He said that original Brit thought had been that these conversations might develop a fresh tripartite approach leading to new contacts with USSR (perhaps spearheaded by Churchill), but that this idea had now been abandoned by Brit and that thus Brit had only talked in generalities and wld probably do likewise in Washington.

La Tournelle confirmed agreement on desirability staff talks on SEA and fact that Churchill will approach us on this in Washington next month. He confirmed that subj of Middle East had been touched upon and added that possibility of tripartite mil conversations at Malta had been envisaged. So far as Eur army was concerned, La Tournelle added nothing to communiqué. He stated that it was FonOff impression, confirmed by Massigli, that Churchill had aged very considerably in recent weeks and that he will not remain in office very long. La Tournelle expressed doubt that Eden wld be his successor. La Tournelle reported animated after dinner conversation between Reynaud and Churchill re latter's Council of

Europe role with Churchill defending himself vigorously against charges of inconsistency.

BRUCE

No. 458

741.5-MSP/12-2851: Telegram

The Secretary of State to the Embassy in the United Kingdom [1]

SECRET
NIACT

WASHINGTON, December 28, 1951—9:24 p.m.

3098. For Ambassador and Batt. Continuous and urgent Cabinet level attn being given to question circumstances and timing US econ aid to UK. (Ref Toeca 1238 Dec 21 and related msgs [2]) At mtg Dec 27 attended by Acheson, Snyder, Harriman, Foster and Bissell, entire problem was considered in its multiple context of effect on UK defense effort, TCC report, EDF and attitudes of Continental NATO Members, Churchill visit, psychological aspects of run on sterling, and finally vital importance of reaching decision and then so timing and presenting it as to secure maximum support of US public opinion and Cong for MSP FY 1953 request which presumably will include provision for econ aid for UK.

While accepting importance of arguments for announcing aid to UK in specific amt not later than date UK announcement of year end reserve position and preferably in advance of Churchill's arrival, we are aware that amt available for balance current fiscal year is inadequate of and by itself to reverse current run on sterling but that it would have greatest effectiveness if announced as part of concerted attack on problem including plans for action by UK itself and by other Commonwealth countries as well as exploration by US-UK (mentioned in Toeca 1238) of possible means to enlarge dol earnings by UK.

In light of foregoing all here agree (a) that immed effort must be made seek Brit agreement to issuance by them of public statement which wld set forth clearly their intent to take a variety of measures to cope fundamentally with their econ situation and substantially to carry through their rearmament program; (b) that in addi-

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[1] Drafted by Livingston T. Merchant, the Special Assistant for Mutual Security Affairs, and cleared by Foster, Snyder, Bissell, Harriman, Martin, Acheson, and Jack C. Corbett, Deputy Director of the Office of Financial and Development Policy.

[2] Telegram Toeca 1238 is not printed: other messages dealing with aid to the United Kingdom include telegram Repto 6117, December 7, and telegrams 2741, 2746, and 2865 from London, December 14, 15, and 24, none printed. Copies of these telegrams are in file 741.5-MSP/12-751 through 12-2451.

tion to what can be said publicly, the Brit shld give us in confidence (but susceptible to later use with Cong) as clear indication as possible of their intentions re future measures concerning (1) continuance of defense effort, (2) policy re assistance from and coop of sterling area, (3) import policy, (4) coal production and coal export policy, and (5) consumption and investment; and (c) that announcement of aid decision in context such public statement need not be made prior Churchill's arrival and might appropriately coincide with Chancellor's statement of year end reserve position.

Public statement we have in mind wld be along fol lines:

"1. Substantial decline in UK reserves during third and fourth quarters has created situation of utmost seriousness. [3] First steps toward remedying position were taken promptly after new govt took office. These have been followed by intensive review with US reps of UK econ position.

2. UK measures already taken include substantial cuts in imports and vigorous efforts in the internal financial field notably affecting credit in order to reduce trade and payments deficits.

3. A mtg of Commonwealth FinMins has been arranged for Jan to determine on urgent basis what further remedial measures can be taken on an international basis in addition domestic measures.

4. UK Govt plans at early date to lay before House further measures designed to meet this grave problem. (We have in mind importance of UK Govt not waiting until Apr budget presentation for disclosure program.)

5. In light importance maintaining econ strength of UK essential for its defense effort and in light of measures already taken and being planned by UK Govt to meet situation, US Govt has informed UK Govt that it will allocate immed to UK 350 million econ aid for first six months 1952. The US and UK Govt are also exploring together means by which it may be possible to expand the earning of dols by the UK.

6. The Govt of the UK is determined to institute measures designed to restore fundamental and enduring econ strength to the UK. It is equally determined that in so far as it is concerned its contribution to the collective requirements of NATO and its rearmament efforts for the defense of the free world shall not be impaired."

Foregoing suggests gen lines of a UK public statement which wld meet necessities as we see them. It shld be put up to Brit as indicative and of course not verbatim text. It wld also be of importance to secure supplementary private assurances covering gen topics listed earlier. Specifically, among them, you shld make every effort to obtain indication of nature proposals they plan to put to Commonwealth FinMins at Jan mtg. You shld also make every effort to

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[3] At this point in the source text the following phrase had been deleted before transmission: "and one which if uncorrected wld be detrimental to UK rearmament effort."

obtain assurance as to Brit adherence to long-term objectives of Anglo-American financial agreement concerning convertibility and non-discriminatory policy as requested in Snyder–Butler conversation in Rome. [4]

Separate ECA telegram will fol covering in detail points listed below but you shld inform Brit it is our thought (a) that $50 million of $350 million cited above wld represent limit on payments by US during FY 1952 on Katz–Gaitskell Agreement, [5] any further liability which might accrue to be met from any funds which may be appropriated and available for FY 1953, (2) that ten percent of $300 million wld be in form loan in accordance terms Mutual Security Act, and (3) that there may be included within $300 million certain military items which UK wld otherwise be purchasing for dols. [6]

If Brit agree to issuance public statement satisfactorily incorporating points enumerated above and supplement it with statisfactory private assurances re intentions as described above, it is our plan to recommend to Pres approval of $350 million allocation and concert with Brit simultaneous release their statement and separate US announcement on same day Brit publish reserve position as of year end. Pls confirm to us date set by Brit for latter announcement.

This timing we believe wld achieve maximum psychological effect. It would also afford opportunity to impress on Churchill here (without going into detail) importance we attach to early public disclosure by Brit of gen comprehensive plan for dealing with situation and necessity of attack by them on problems no less vigorous than our own efforts to assist them. Moreover, it wld afford us time necessary here for advance explanation to Congressional Comite Chairmen most directly cocerned.

This is a joint State–Def–Treas–ECA–DMS msg. [7]

ACHESON

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[4] No record of this conversation has been found in Department of State files.

[5] The agreement under reference here has not been identified further.

[6] At this point in the source text the following paragraph had been deleted before transmission:

"FYI only thought is currently being given to desirability inviting Butler here after Churchill visit for continued exploration gen UK econ problem."

[7] In telegram 3099 to London, December 28, Batt and Gifford were told that the draft communication transmitted in telegram 3098 should be transmitted to a high level in the British Government. (741.5-MSP/12-2851)

No. 459

741.5-MSP/12-2951: Telegram

The Ambassador in the United Kingdom (Gifford) to the Secretary of State

TOP SECRET NIACT LONDON, December 29, 1951—7 p.m.

2909. Eyes only Acheson and Harriman. Ref your 3098 and 3099.[1] After Bissell-Batt telecon yesterday[2] Batt had arranged early meeting today with Chancellor to discuss details of expected message. Your 3098 not having been received, he was only able to inform Chancellor of broad outlines of proposed program, two important elements of which, however, were clear: That our statement re aid should coincide with release annual British figures on gold and dollar reserves; further, that such public statement could not be made before January 4 or 5. Chancellor left to attend Cabinet meeting, saying that he would have to inform Prime Minister of delay in release as above indicated.

Later this morning your 3098 and 3099 received, but before 3098 was completely decoded, message was received saying that Prime Minister desired immediately to speak to me and would interrupt Cabinet meeting for that purpose. Upon my arrival with Batt, Prime Minister, Eden, and Butler met us, with Prime Minister at outset taking strong position of disagreement latest Washington proposals. Summing up an hour's conversation in which I presented substance of 3098, these are his views, most of them expressed with greatest urgency:

1. If the statement re aid cannot be issued Monday 31 latest, it should await some substantially later period.
2. He will not agree that our aid statement and their balance of payments position should be released at the same time, or specifically tied together.
3. He does not want the balance of payments statement issued earlier than its normal date, the 8th or 9th, and certainly under no condition to be thrown in his face as he docks.
4. Since he does not intend to be put in position of arriving as "penniless beggar", he is insistent that no statement of ours should contribute to that impression with American public.
5. Since it was our judgement that statement could hardly be made on Monday in light of existing circumstances, only conclusion was that nothing should be said on the economic aid question until well after Prime Minister's return, after Commonwealth meeting and probably after reconvening of Parliament. At that time in normal course of events, a broader and more complete outline of

[1] Telegram 3099 is not printed, but see footnote 7 to telegram 3098, *supra*.
[2] No record of this telecon has been found in Department of State files.

Britain's circumstances, financial and otherwise, as well as steps presently taken and further proposed would in all probability have been made here.

Prime Minister's position with regard to aid most positively stated. British are determined to make their maximum contribution in the light of the joint NATO effort. Any financial aid as well as direct military end-item aid which should properly come to them from the United States to the end that they are able to make greatest possible defense effort would be most welcome and important. Repeated references to partnership relation as result of which they will look to us for proper sharing of steel and other materials which they do not have for this larger effort, and for which they expect to pay.

At request of Prime Minister I have telephoned message from him to Harriman (text of which next following message [3]). Harriman stated definitely that it would be impossible to make announcement on December 31 and in the light of Churchill's attitude agreed with me that it would be preferable to announce aid allocation late January. I have just conveyed Harriman's reply to Churchill by telephone, and after some discussion we have agreed that matter should be deferred as above indicated.

GIFFORD

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[3]Telegram 2910, December 29, not printed. (741.13/12-2951) In it Churchill made the same points to Harriman that he made to Gifford and Batt as reported in this telegram.

VATICAN

THE QUESTION OF POSSIBLE ESTABLISHMENT OF DIPLOMATIC RELATIONS WITH THE HOLY SEE [1]

No. 460

Harry S. Truman Library, Myron C. Taylor Papers

President Truman to Myron C. Taylor

WASHINGTON, April 26, 1951.

DEAR MR. TAYLOR: You have been unwearied now for more than a decade in your labors for an honorable peace and for amelioration of the human suffering which war has wrought over the face of the earth.

Despite discouragements and unexpected obstacles you have pursued this noble aspiration. It seems especially fitting that I should ask you, in the months and weeks ahead, to continue with religious leaders in Europe wherever your travels take you, conversations concerning the possibility of concerted action for peace. I therefore ask you again to go overseas on special mission as Personal Representative of the President of the United States with the rank of Ambassador.

I am still persuaded that we must cooperate with all religious leaders who share our conviction that only through peace can happiness again become the portion of mankind. And so I ask you to go out again on your mission and renew expression of the hope that "you will continue to discuss with men of open minds—wherever you find them—whether leaders in church or state or civic affairs generally, the possibilities of a meeting here in our Capital City to lay the ground-work for peace and to promote good will among men."

Happily during your many previous journeys you have established close contact with important religious leaders in Europe. As Personal Representative of the President to His Holiness the Pope you accomplished much good during the decade of your tenure in that office. I am sure the counsel of His Holiness will be invaluable in discussion of the conference we hope to arrange. I desire that

[1] Continued from *Foreign Relations*, 1950, vol. III, pp. 1790 ff.

you go on the present mission with a free hand to seek counsel and cooperation wherever your own judgment and discretion dictate. It might be well for you to seek the views of such an outstanding leader in our own country as Right Reverend Henry Knox Sherrill, Presiding Bishop of the Protestant Episcopal Church and President of the National Council of the Churches of Christ in the United States of America. [2]

The world has yearned for peace since the days of the Old Testament Patriarchs. We are part of the whole age long stream of prophecy from Isaiah to the apocalyptic vision of St. John the Divine, in fellowship and communion with priest and prophet, saint and seer, in the search for peace.

And so as you go again to Europe—whether you travel by bright or shadowed road—you will walk in the presence of unseen witnesses who bear testimony through the ages to the Divine Witness which is the hope of the world—the source of all our strength. [3]

Very sincerely yours,

HARRY S. TRUMAN

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[2] Documentation concerning Taylor's meeting with Bishop Sherrill and Bishop Sterrill's report of a subsequent meeting with President Truman is in the Myron C. Taylor Papers at the Harry S. Truman Library.

[3] On May 8 Taylor left New York for visits to Paris, Florence, Rome, and London where he met with leading religious leaders in an attempt to draft a common declaration signed by leaders of all denominations concerning the moral and spiritual bases for peace. Despite a statement by Pope Pius XII on June 19 explaining his difficulty with joining Protestant leaders in a public appeal for peace, Taylor continued to seek agreement among other religious leaders on a declaration. Attempts to draft such a declaration continued after Taylor's return to New York on July 26, but, on September 6, the Archbishop of Canterbury informed Taylor that these drafting efforts had been abandoned since agreement by leaders of world denominations was so remote. Documentation concerning Taylor's visits to Europe and his efforts to seek agreement on a joint declaration is in the Myron C. Taylor Papers at the Harry S. Truman Library.

No. 461

611.65A/8-3151

Memorandum by the Director of the Office of Western European Affairs (Byington) to the Assistant Secretary of State (Perkins) and Deputy Assistant Secretary of State (Bonbright) for European Affairs

TOP SECRET [WASHINGTON,] August 31, 1951.

Subject: Visit of Msgr. Montini to the United States

In the course of a conversation regarding Trieste, Mr. Luciolli referred to the visit to this country of Msgr. Montini. He said that he

had heard reports that the Vatican was interested in studying the possibility of establishing in Canada or elsewhere in the Western Hemisphere a headquarters which could be used for the administration of Vatican affairs in the event of war. He had no information with regard to the authenticity of these reports, and as was customary, the Vatican scrupulously refrained from personally conferring with the Italian Government on such matters, as well as the trip of Msgr. Montini. We all know that the Pope had declared he would remain in Rome. Mr. Luciolli did by chance have a conversation with Msgr. Montini and he thought these two comments which Msgr. Montini made to him, ostensibly not for communication to the American Government, might be of interest to us.

Msgr. Montini expressed the concern of the Vatican with regard to the gradual widening of the gulf between the Vatican and United States Government since the abrupt withdrawal of Mr. Taylor. [1] The continued absence of any step toward the resumption of relations could not but in the long run have an adverse effect on the general attitude all over the world of the Catholic priests toward the United States and indirectly our policies, which seemed to Msgr. Montini a result to be avoided. Msgr. Montini also said that should a general war break out it would then not be possible for the Vatican to receive an accredited representative of the United States, since it would be a firm and traditional policy of the Vatican to abstain from any act which might indicate overt participation in the struggle.

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[1] On January 18, 1950, Myron C. Taylor, Personal Representative of the President to the Holy See, resigned and President Truman accepted his resignation that same day. No successor had yet been appointed.

No. 462

Editorial Note

In the fall of 1951 President Truman decided to name General Mark W. Clark as Ambassador to the Vatican.

In an interview in March 1976, General Clark recalled that he had been summoned to the White House sometime in September 1951 for a secret meeting with Truman. According to Clark, the President had completely surprised him by stating that he wanted to appoint Clark as Ambassador to the Vatican. The reasons, the President had said, were that Clark was a Protestant and that he had met the Pope at the close of World War II. Clark had asked that he be allowed to think the matter over, to which Truman had agreed. Truman also had requested that their discussion be kept in

the strictest confidence, except that Clark could discuss the matter with his wife and with Myron Taylor. (Memorandum of conversation among General Clark and John Bernbaum and Ronald Landa of the Historical Office of the Department of State, March 13, 1976, 611.65A/10–2051)

On Saturday, October 20, the White House announced that President Truman had sent Clark's nomination as United States Ambassador to the Vatican to the Senate for confirmation. In *Present at the Creation* (page 575), Secretary of State Acheson remarked that he had known nothing about the Clark nomination until the afternoon of Friday, October 19, when he had been informed by telephone that Senator Tom Connally had already received the President's nomination of Clark. The White House statement reads as follows:

"The President has decided that it is in the national interest for the United States to maintain diplomatic representation at the Vatican. He has therefore nominated General Mark W. Clark to be Ambassador to the State of Vatican City.

"During the war, the late President Roosevelt appointed Mr. Myron Taylor as the Personal Representative of the President to His Holiness the Pope.

"During and after the war the Taylor Mission performed an extremely useful service not only in the field of diplomacy but in the amelioration of human suffering. That service is set forth in official correspondence published from time to time.

"The President feels that the purposes of diplomacy and humanitarianism will be served by this appointment.

"It is well known that the Vatican is vigorously engaged in the struggle against communism. Direct diplomatic relations will assist in coordinating the effort to combat the communist menace.

"Thirty-seven other nations have for a great many years maintained at the Vatican diplomatic representatives." (Department of State Wireless Bulletin, October 21, 1951, page 17)

The White House statement came on the final day of the first session of the 82d Congress; the Senate therefore did not have time to act on the nomination before it recessed. According to Clark, he had first learned of the announcement of the appointment the day before it was issued, when he had been telephoned by a Department of State official, whose name he could not recall, while he was on a trip visiting military bases in the South. Extremely upset, Clark had returned to Washingtron to seek an appointment with Truman. Clark told the President that he was still unsure whether he would accept the appointment since he wanted to look into the effect of the appointment on his military status. Truman had indicated that he would take no action until Congress reconvened early the next year. Clark also recalled that, in the days following the announcement, he had received a great quantity of mail, most of

which had been strongly against the appointment. (Memorandum of conversation among General Clark and John Bernbaum and Ronald Landa of the Historical Office of the Department of State, March 13, 1976, 611.65A/10-2151)

In a letter of October 22 to President Truman, the United States Ambassador in Spain, Stanton Griffis, said that he was delighted at the announcement of Clark's appointment. Griffis pointed out that he himself had represented Truman in three Catholic countries, "and whatever you or I may think of Catholic intolerance, the church still represents one of the most powerful existing anti-communist forces in the world. This move should be of great help to us here." In his brief reply of October 30, Truman said that there was "a great deal of ballyhoo being stirred up by some of my bigoted Protestant friends but I still think we will be able to get the Ambassador to Vatican City through. Mark Clark is well thought of, both here and in Italy, and is a personal friend of the Pope." Copies of these letters are in Truman Library, Truman papers, PSF subject file.

No. 463

Italian Desk files, lot 68D436, Vatican Relations with U.S.

Memorandum by Joseph N. Greene of the Office of Western European Affairs to the Assistant Secretary of State for European Affairs (Perkins) [1]

SECRET [WASHINGTON,] October 23, 1951.

Subject: Conversation with General Clark Regarding Administrative Problems in Connection with Establishment of an Embassy at the Vatican

1. Army Status

General Clark told me about his talk with the President when the President asked him to take the job as Ambassador to the Vatican. He said that he had told the President that he would like to remain on the active list of the Army and the President had said that it was his intention that General Clark should do so.

2. Pay and Allowances

The other matter the General raised with the President was his understanding that being an Ambassador was an expensive proposition and he could, accordingly, only take it if adequate compensa-

[1] Also addressed to Bonbright and Pollack in EUR and to Humelsine in A.

tion were given him. He said that the President had told him that he, the President, would take care of this.

I explained that our administrative people had been caught by surprise by the nomination and had not yet finished their work of figuring out budget problems; I was advised, however, that an answer would be ready for the General by the end of this week.

General Clark said that that would be satisfactory and asked who in the Department would make the decisions, and specifically whether the Secretary of State would. I said that it was my understanding that the Secretary and his Deputy, Mr. Humelsine, would be the responsible officers. [2] General Clark said that if adequate provision were not to be made, he would have to tell the President that he could not take the job.

3. Recess Appointment

General Clark said that he had sent word to the President that his preference would be not to take up the assignment under recess appointment, as he considers that the whole question should be settled in the democratic way through Senate consideration of the nomination. In this connection the General said that he had heard that the President had asked the Attorney General for an opinion whether he could take a recess appointment without retiring from the Army.

The General asked what the law would be on his tenure in Rome if he should go on a recess appointment and if the Senate should refuse to confirm his nomination. I said I would ask the Department's Legal Adviser to cover this point.

4. Personnel

I told the General that our thinking had been that an official staff might comprise two Foreign Service officers, one of upper-middle rank and one of junior rank, and appropriate clerical personnel to the number of three or four. This seemed to be satisfactory to him.

General Clark said that during his career he had come to expect uncompromising loyalty to himself on the part of members of his staff. I said that the Foreign Service prides itself on its observance of this principle and that, while there may have occasionally been

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[2] In a memorandum of October 24 to Humelsine, Perkins said that he understood that no action would be taken on Clark's appointment until the Congress had acted on his personal status and the Senate had approved his nomination, which meant that the mission could not be established until the following February or March at the earliest. Perkins discussed the staffing of the mission and Clark's salary, noting that EUR would find it extremely difficult, if not impossible, to finance the mission within its existing allotment. (Italian Desk files, lot 68D436, Vatican Relations with U.S.) No reply by Humelsine was found in Department of State files.

regrettable exceptions, I felt sure that General Clark's staff at the Vatican would be completely loyal to him.

General Clark recalled that he had known well and favorably FSO Ware Adams as the sort of man with whom he had worked harmoniously.

I suggested that it might be better to avoid having on the staff officers who are Catholics or who served with Mr. Taylor and thus are connected with the personal representation which is now ended. General Clark expressed no objection to these thoughts.

The General said that he desires to take with him to Rome his personal secretary, who has been with him since Vienna, having transferred to War Department from the State Department on January 1, 1947. Her name is Dorothy Davis. Her present classification is GS–9. I said that I was certain that this could be arranged and that Miss Davis would have to return to the Foreign Service; she and the General understood this.

General Clark also said that Mr. Taylor had commended to him Miss Regina Bushwaller who had been Mr. Taylor's secretary (Mr. Taylor later mentioned this to me as well). I said that I would look into this idea, having in mind that it might be better not to have a connection with the past. General Clark did not seem taken by this suggestion and said that he assumed that if he wanted her and Miss Bushwaller was willing it could be arranged.

5. Administrative Arrangements

I explained that it had been our thought that, although General Clark's office and residence should be quite separate from the Embassy to the Italian Republic, the latter could provide administrative support in disbursing, communications, services, et cetera. The General agreed. Regarding communications, he said he thought it would be desirable to have some means of communicating to the Department, if need should arise, in private so that the contents of his communication would not be known to the Embassy. I explained the machine coding operations in the Embassy and said that I thought it could probably be arranged that the General could have for his own office manual codes so that when he felt the need he could deliver to the Embassy for transmission a communication already encoded.

The General asked about housing and I said that the Government would either rent or buy him a house, or pay him a rental allowance, probably one of the first two, and would provide maintenance personnel but not personal servants. He asked for a further definition of this distinction (e.g., does the Government pay for a cook?) and I said I would find out. I confirmed the General's as-

sumption that the Government would provide him with an official automobile and chauffeur.

No. 464

611.65A/12-2651

Intelligence Report Prepared by the Office of Intelligence Research in the Department of State [1]

CONFIDENTIAL
No. 5710.1

WASHINGTON, December 26, 1951.

ANTICIPATED FOREIGN REACTIONS TO ESTABLISHMENT OF U.S. DIPLOMATIC RELATIONS WITH THE VATICAN

While predominantly Catholic countries will look with approval upon the establishment of diplomatic relations with the Vatican by the United States, such a move will not appreciably affect their attitudes toward the US or their relations with this country. Non-Catholic countries may be expected to regard this step with general indifference.

Of the predominantly Roman Catholic countries, Spain is likely to be most favorable to a US-Vatican diplomatic tie. The Italian Government, led by Christian Democrats, as well as influential Catholic groups in Italy, would also be pleased by the establishment of a US diplomatic mission at the Vatican. In the remainder of Western Europe, it would probably have little if any effect upon official and popular attitudes toward the US, with the possible exception of devout Catholic elements.

It is likely that the Latin American countries will react favorably to the creation of a US diplomatic post at the Vatican, but it is doubtful that this move will make any appreciable difference in Latin American attitudes toward the US.

In the Middle East, notwithstanding the Vatican's involvement in the question of Jerusalem's internationalization, local attitudes toward the US are unlikely to be affected by the appointment of a US Ambassador to the Vatican. Similarly, this move will have no perceptible effect upon US relations with Far Eastern countries, although it is almost certain that the Chinese Communists will use the occasion to embellish their propaganda against "Catholic spies."

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[1] The following statement is printed on the source text: "This is an intelligence report and not a statement of Department policy."

Neither will the formal establishment of US relations with the Vatican be a significant factor in the formulation of Soviet policy toward this country, although the Soviet Union will undoubtedly attempt to exploit such action in its propaganda, where it has for some time linked the Holy See with "American imperialism." Such propaganda may be expected to charge that US mission at the Vatican will facilitate the promotion of subversive activities by the Church against Eastern European satellite governments.

Throughout the free world, it is likely that many elements including Catholic clergy and laymen would prefer that the US base its relationship with the Vatican primarily on considerations of peace and humanitarianism. Emphasis by the US on the role of a representative at the Vatican in coordinating the struggle against Communism may be regarded by these groups as an indication of a provocative US policy toward the Soviet Union. In this connection, it is significant that the leading Catholic newspapers in Italy, the semi-official Vatican daily *L'Osservatore Romano* and the Catholic Action *Quotidiano*, have either ignored or rejected the anti-Communist argument and have emphasized that the appointment of a US Ambassador would be "a good omen for the cause of peace and humanity."

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Editorial Note

On January 14, 1952, President Truman announced that General Clark's nomination as Ambassador to the State of Vatican City was being withdrawn at Clark's request. Documentation pertaining to this announcement, as well as to the subsequent consideration within the United States Government of the possible establishment of diplomatic relations with the Vatican, is scheduled for publication in *Foreign Relations*, 1952–1954, volume VI.

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